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THE SENATE OF CANADA



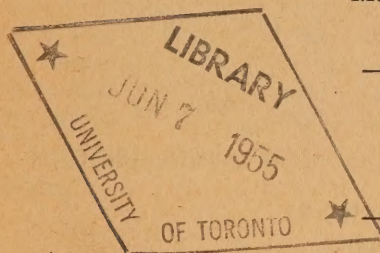
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PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON

**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1956



No. 1

WEDNESDAY, MAY 11, 1955

The Honourable THOMAS A. CRERAR, P.C., *Chairman*

WITNESS

Mr. J. J. Deutsch, Secretary of Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1955.



## STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman

### The Honourable Senators

Aseltine	Gershaw	Petten
Baird	Golding	Pirie
Barbour	*Haig	Pratt
Beaubien	Hawkins	Quinn
Bouffard	Hayden	Reid
Burchill	Horner	Roebuck
Campbell	Isnor	Stambaugh
Crerar	King	Taylor
Dupuis	Lambert	Turgeon
Euler	*MacDonald	Vaillancourt
Fafard	McDonald	Vien
Farris	Paterson	Woodrow—(35).
Fraser		

50 members—(Quorum 9)

\*Ex officio member



## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, March 16th, 1955.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1956, in advance of the Bills based on the said Estimates reaching the Senate; That the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

L. C. MOYER,  
*Clerk of the Senate.*"



## MINUTES OF PROCEEDINGS

WEDNESDAY, May 11, 1955.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 A.M.

*Present:* The Honourable Senators:—Crerar, Chairman; Baird, Barbour, Campbell, Euler, Gershaw, Golding, Haig, Hawkins, Isnor, King, Pirie, Reid, Stambaugh, Taylor, Turgeon, Vien and Woodrow.—18.

The Committee proceeded to the consideration of the order of reference of March 16, 1955—

“That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1956, etc.”

Mr. J. J. Deutsch, Secretary of the Treasury Board, was heard.

The following documents were tabled by the witness:—

1. Estimates by Standard Objects of Expenditure and Special Categories.
2. Staff Strength Statistics.
3. Travelling and Removal Expenses, Estimates, Expenditures and Regulations.
4. Departmental Organization Chart.

At 12.45 P.M. the Committee adjourned until Friday, May 13, 1955, at 11.00 A.M.

Attest.

James D. MacDonald,  
*Clerk of the Committee.*





## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Wednesday, May 11, 1955.

### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1956, met this day at 10.30 a.m.

Senator Crerar in the Chair.

The CHAIRMAN: We will come to order, gentlemen.

There are just one or two observations I would like to make at the opening of our committee meetings. The first is that we are starting rather late in the session. There is a good deal of ground to cover, and our work is commencing at a time when the house is perhaps at its busiest period with committee work, so it may be necessary to have evening meetings.

I would like to have the work progress as quickly as is reasonably possible so that we will be able, in ample time, to consider a report, which is the important thing, get it into the House and get it approved or discussed at any rate say within six weeks time, because I understand the prospect is that Parliament will conclude not later than the end of June. That is what I am told they are aiming at.

Now, roughly, that we seek to cover is the data in regard to the Civil Service establishments and the expenditures. Perhaps as we did in the earlier year we will take up some of the data which is very fully given in the summary to be found at the back of the Estimates. There is no document placed before members of Parliament in either house that gives more information on the important matter of expenditures than does this tabulation; and I trust that members of the committee have studied it and will be prepared to offer suggestions as we proceed.

We have here today Mr. Deutsch, who will explain to us how the estimates, consisting of several billion dollars, as tabulated in this book, and which will be voted by Parliament, come about; how the work evolves from the initial stages down to the period when it appears in Parliament in this form. Then we shall be able to ask Mr. Deutsch questions and get what information senators may desire.

We have here, for instance, data on the Civil Service; an analysis of the Civil Service, prepared by Mr. Deutsch, who is Secretary of the Treasury Board. This analysis is very interesting because it shows the growth of the Service, the Departments where the growth has taken place, the character of the service, and so forth; and that could have, I would suggest, the close study of members of the committee. Of course a certain expansion of the Civil Service is necessary, because we have a developing economy and a population whose expansion, though not very great, is perhaps of the net order of three hundred and fifty to four hundred thousand a year. This growth of costs is symptomatic of all governments, more or less, in Canada. I do think that this

problem of the expenditures of governments is one of the most important we have. It is not unusual to find municipalities pressing their provinces for more money, claiming that they should receive from the provinces larger grants for education, or roads, or something else: then at times we have the provinces saying to the municipalities, "That is not our responsibility, it is Ottawa's"; and we have provinces urging that Ottawa should give them more consideration. That sort of thing is confusing the public mind, and I trust that we in this committee will try to emphasize that in the end the important thing to the individual citizen is, not the amount of taxes he pays his municipal or his provincial or his federal authority, the important thing for him is the total of taxes that he pays to all authorities. Consequently, I hold, it is the first responsibility of members of Parliament to keep that fact before them and to proceed as carefully as possible in this matter of expenditures. That is where the growth in the Civil Service, as you will see from these data, is, to me at any rate, frankly a little bit alarming.

To illustrate what I say, the total in the federal service in 1939, which is only sixteen years ago, exclusive of revenue postmasters and casual labour, was between 46,000 and 47,000. That total has grown now to over 174,000, exclusive of revenue postmasters and casual labour.

Senator GOLDING: What number of hours per week were they working at that time?

The CHAIRMAN: I don't know. They were working longer hours than they are now; they were working at least five full days and part of a sixth day; whereas today the five-day week is pretty general.

Senator HAIG: All that will come out.

The CHAIRMAN: Maybe. With these opening remarks I think we will ask Mr. Deutsch to tell the story of how these estimates evolved. If any of the members of the committee are not aware of it—Mr. Deutsch is the Secretary of the Treasury Board. All estimates are funnelled through the Treasury Board before they come in the Blue Book.

Mr. J. J. DEUTSCH: Mr. Chairman and senators, your chairman has asked me to explain to you the procedure we go through to prepare this blue book which ultimately is tabled in Parliament. The process begins usually in September. For instance, this year the first step in respect of the next year's estimates, namely 1956-57, will begin next September.

A letter is sent from the Department of Finance to all the departments, asking them to prepare their estimates. In that letter the program and time table are set out. They are told the date on which the estimates must be tabled in the Treasury Board, and that usually is six weeks to two months later. If the letter is sent out in September they are usually asked to have their material in by the early part of November or, say, the last week in October; so that they have anywhere from six weeks to two months to prepare their material.

Together with this letter there will be a set of instructions as to the form in which the material is to be prepared. Those instructions consist of ten or fifteen pages of detailed directions. Briefly, these instructions ask the departments to set up their estimates in the following form.

The first information they are asked to present to the Board is to show for each vote the amount they are requesting for the following year and to put that alongside the amount they requested for the then current year. In that way there will be a straight comparison between what they are asking for in the coming year and what they had been given in the year then current.

Senator EULER: Is the comparison made as to the estimate of the previous year, or as to what is actually spent?



Mr. DEUTSCH: No, our first request is for the amount which they were given in the votes in the current year.

Senator EULER: And not what is spent?

Mr. DEUTSCH: No. I am going to come to that later, Senator Euler. Every vote has to be shown in this way. The amount they are asking for is compared with the amount they were voted in the previous year. That total amount has to be broken down into objects of expenditure. For an example let us take the vote for the departmental administration of the Department of Veterans Affairs, which I happen to have in front of me. They have shown the total amount requested for departmental administration. That particular vote was compared with what was voted the previous year, and that total amount is broken down into the standard objects of expenditure such as are shown in the back of this book.

Senator EULER: I do not like to interrupt you, Mr. Deutsch, but I am curious. When you show the amount that was voted the previous year does that include the supplementary estimates?

Mr. DEUTSCH: Yes, that is right. That is a good point. The amount voted in the previous year will include everything that was voted, whether in main or supplementaries. If there have been several supps the amount shown would include all the amounts voted in the various supplementaries. So when I say the amount voted I mean everything that was voted in that year. That must be then compared with what they are asking for the following year.

Senator EULER: Then the supplementaries would not be included in what they are asking for this year? They may come later?

Mr. DEUTSCH: There is another set of supplementaries that come at the end of the year. The comparison is made with what has been voted up to date.

Senator EULER: Then it would be smaller than what it would be later, for you are going to have more supplementaries later.

Mr. DEUTSCH: That is right; it could be. The final supplementaries come in March. We are now dealing with September and October. We always have another set of supplementaries in March, and, of course, at that time we do not know what they may be.

Senator EULER: So that the comparison is not quite accurate?

Mr. DEUTSCH: The comparison is not quite correct in that sense, but what we compare it with is everything that has been voted in the current year up to that time. That is compared with what they are now asking for. Then both of these amounts are broken down into their objects of expenditure, namely, salaries, allowances, travelling expenses, freight, postage, advertising, office stationery, rentals, etc., and can be directly compared one with the other.

In connection with this request for the total amount in each vote, they have to give a general explanation of what the vote is for. This, of course, does not change very much from year to year. Most of these items are regular things, and the description of the vote is a description of the purposes for which the money is needed, and that usually does not change from one year to the next.

Now, that is the first information. The second bit of information they are asked for is to show actual expenditures—to come to your question, Senator. Not only for the year immediately preceding, but also for the preceding three years. They are asked to show the actual expenditures as apart from the amounts voted, because what is voted is not actually the same as the actual expenditures, and in most cases the actual expenditures are somewhat less, of course. You know that, under our rules, a vote may not be exceeded; therefore, if there are any mistakes or errors in estimation they can only be downwards, they cannot be upwards, and therefore if there are any differences

between the amounts actually voted and the amounts actually spent they will always be less than the amounts voted. And they are asked to show, taking the case of the past year, in actual expenditures, first of all, the amount which they estimate will actually be spent in the current year. In September, October, or November, when these things are prepared they will be able to make some sort of estimate of what the actual expenditures in the then current year will be. It will not be completely accurate, but they have had five or six months actual experience, and on the basis of that and on what they can foresee they can make an estimate of the expenditures in the current year, which will be closer than they could have in the previous September, when they prepared the expenditures. It is in the nature of a departmental forecast of their actual expenditures in the current year. Alongside that they will require to show the actual expenditures in the preceding year, and then for two further preceding years. So you have a series of four years of actual expenditures.

Senator CAMPBELL: Mr. Chairman, may I ask the witness this question: Is that information given in the blue book, the estimate of actual expenditures?

Mr. DEUTSCH: There is in the blue book an estimate of a departmental forecast of the current year's expenditure; that is shown in the blue book.

Senator CAMPBELL: That is the only one that is actually shown?

Mr. DEUTSCH: Yes, we do not show the actual series for the previous four years; but in comparison with the amount that was voted the blue book shows the amount for the preceding year, the amount now requested, and also a figure of what the department's forecast is of the expenditures in the present year.

Senator REID: The amount voted in the preceding year, would that be included in the supplementary estimates?

Mr. DEUTSCH: Yes. In so far as any supps have been voted, they are added back into the main estimates and are shown in the blue book; that is, the figure is a total including supplementary estimates that have been voted up to that time, and that is compared with the figure that the department has actually expended. So, again, this series of actual expenditures running for a period of four years, including the forecast of the current year, plus three preceding years, those figures also have to be broken down into objects of expenditure, the same way as I explained earlier, namely, into salaries, travelling expenses, freight, postage, and all the various objects of expenditure.

Now, this statement of actual expenditures may be compared, of course, with the amounts voted in the previous year, and may also be compared with the amount requested in the new year. You can see, therefore, from this information, how expenditures have actually compared with amounts voted; and in order to simplify this comparison we also ask for a series of years, in totals only, running back all the way from 1938-39; figures of actual expenditures of that vote, just in one total figure, without breakdowns. Alongside that column we ask for the lapses in the votes for those years; in other words, for the difference between what is voted and what is spent in any one fiscal year.

Senator ISNOR: May I ask of what use 1939 would be as far as salaries are concerned?

Mr. DEUTSCH: We do not attach any particular significance to the year 1938-39, but we want a fairly long series of years to see whether there has been or has not been a close relationship between amounts voted and amounts actually spent. If we see a long trend of lapses, well, that produces certain information for us that their estimating is not as close as it might be, and it is useful to have a fairly long series to see if there is a consistent trend of over-

estimating as compared to expenditures. That is the only reason we use it. But that series of actual expenditures running alongside the lapses in the vote for a series of years gives you an idea of how closely that particular vote has been estimated in the past.

Senator REID: In reading the estimates, would it be fair to say that in the one column of last year we had the total expenditures, and in the column this year, only the main estimates, and that the breakdowns are requested for the millions asked for before the house adjourns?

Mr. DEUTSCH: That is right. These estimates are prepared in the period between September and November. They are then asked to put into their estimates everything which they foresee will be needed, and they are instructed not to hold things back and come along later in the supplementaries; the instructions are that they are to put in everything they will require.

Senator EULER: Would you care to hazard any opinion, or from your knowledge, to what extent that comparison is not quite correct by reason of the supplementary estimates which come in later?

Mr. DEUTSCH: I am coming to that, Senator. When the main estimates are prepared the departments are instructed to make provision for everything which they foresee they will need, but as you know we always have supplementary estimates—usually in May and June. The reason for that is that by May or June things may happen which they could not have foreseen. Now, obviously one of the things that may happen that could not have been foreseen is what legislation is passed in the session of Parliament. You see, these main estimates are prepared before the house meets for the following fiscal year, and at that time it is not possible to foresee what additional expenditure may arise out of legislation which will be passed in that session of Parliament.

Senator GOLDING: I would point out that a Special House of Commons Committee on Veterans Affairs has been dealing with amendments to the War Veterans Allowance Act, and increase in allowances have been made to veterans. Were those increases estimated?

Mr. DEUTSCH: No, that is a sort of thing you cannot anticipate. You cannot anticipate legislation.

Senator EULER: You can pretty well estimate what the Government legislation is going to be.

Mr. DEUTSCH: We cannot assume at that stage that it is going to pass in Parliament.

Senator EULER: If the Government sponsors the legislation it will pass.

Mr. DEUTSCH: That may be, but it is not possible to estimate for it, because actually those expenditures will not be approved or effective until the legislation is passed.

Senator VIEN: Yes, but in bringing down estimates of expenditures to be made by the department in an ensuing year, the department itself must have in mind the legislation which it will propose to Parliament and the expenditure that will be attached thereto.

Mr. DEUTSCH: Well, they may have certain proposals in mind but they do not know at that stage whether those proposals will be approved, and whether they will be passed by the Government and by Parliament.

Senator VIEN: Does that mean then that the estimates that are brought to Treasury Board by a department are exclusive of all expenditures that may be involved in new legislation to be proposed by the department.

Mr. DEUTSCH: Generally speaking that is true. In other words these main estimates do not include provisions for expenditures that may arise out of legislation that will be passed in the subsequent session of Parliament.



Senator EULER: I will not ask for your opinion on this, but it is a well known fact that when the Ministers are asked to prepare estimates for their department there is a tendency, and naturally so on their part, to make their estimates a little bit smaller because they want to make it look good in the main estimates. Is that not so, Mr. Chairman?

The CHAIRMAN: Yes, perhaps not only the department but the Government.

Senator EULER: I would say the Ministers, which is the Government.

The CHAIRMAN: I do not know that we should ask the witness' opinion on this.

Senator EULER: I prefaced my remark by stating that I was not going to ask his opinion on it.

Senator GOLDING: I suppose there are illustrations of that.

Senator VIEN: So that expenditures involved in new legislation must necessarily be covered by supplementary estimates.

Mr. DEUTSCH: That is right. Supplementary estimates mainly are concerned with decisions that have been taken either by the Government or by Parliament subsequent to the preparation of the main estimates. In other words, we cannot foretell what these decisions will be, or I should say the department cannot foretell. Departments, for instance, may have proposals in mind but those proposals may not have been approved by the time these main estimates are presented, approved either by the Government or by Parliament, and so until they are approved they cannot be included in the main estimates. So the supplementary estimates are designed to take care of matters that have arisen, decisions that have been taken, subsequent to the preparation of the main estimates. Now that is what the supplementary estimates are designed to cover primarily, and if you will look back through the supplementary estimates that have been introduced over the years you will find that to be so.

Senator EULER: They are pretty big.

Mr. DEUTSCH: Yes, and most of the big items are items that have arisen out of legislation or decisions that have been taken in the current session of Parliament which could not have been envisaged when these main estimates are prepared.

Senator ISNOR: I do not think that the statement made by Senator Euler is entirely correct so far as certain departments are concerned. I have in mind particularly the Department of Public Works. Instead of reducing their estimates to the lowest possible amount they include a large number of projects that they hope to proceed with but do not, and when the end of the year comes around nothing has been done on them, no money has been spent.

Senator EULER: Senator, I am just speaking from a long experience.

Senator ISNOR: I am speaking from experience too.

The CHAIRMAN: Order.

Senator GOLDING: We will deal with that after, but I think we should let the witness get on with his presentation.

Senator ISNOR: No, it was a statement that was made and it should be corrected now.

Senator KING: Senator Euler and Senator Isnor have spoken from experience. However, I would ask the witness if this is not true: Estimates are prepared by the department under the supervision of the Minister. They then go to council or the Treasury Board, probably first to the Treasury Board, and the Treasury Board strikes out and reduces the amounts involved in the various items?

Mr. DEUTSCH: Senator King, I was going to come to this procedure shortly.

Senator KING: I do not believe that Ministers go to Treasury Board with fattened estimates. They go with the idea that they are trying to meet the service required of them, and I know from my own personal experience that we always have a fight with Treasury Board and in council, and council is responsible for the estimates that come to Parliament.

The CHAIRMAN: Before you pass on Mr. Deutsch could you give the committee any information as to the extent of the lapsed votes, that is to say where the estimated amount was not expended in a year. Is that very extensive in practice?

Mr. DEUTSCH: As I said, almost always there is some lapse in every vote. The question is how large is the lapse. The reason for this is that the expenditures may not exceed the vote. I may say that there is very great care taken to see that that should not happen. Now, that being the case any variation on account of expenditures from the vote can only be downwards, and when you are operating under a rule which says you may not exceed a certain amount, you make sure that you do not exceed it, but it is going to be very unlikely that you will hit it exactly on the head because you are playing safe to some extent. Moreover you may not succeed because you are trying to distribute your expenditures over all these various objects, salaries, postage, freight and all that sort of thing. You have to allocate a certain amount of money for all these purposes.

Senator VIEN: Is there a margin of safety?

Mr. DEUTSCH: When people are making their commitments they have to make sure they do not exceed the limits of the votes and the allotments within the votes—

Senator VIEN: In estimating expenditures some precaution must be made to leave a certain margin of safety.

Mr. DEUTSCH: Yes.

Senator VIEN: Because if the rule is that you cannot exceed the amount of money provided for by the vote, that there is a ceiling on the amount you can spend, so you must necessarily provide a certain margin of safety.

Mr. DEUTSCH: That is right, and there is a tendency in the department, when they know they cannot exceed a certain amount, to estimate an amount that they feel they can stay within and carry out the work.

Senator EULER: Of course they always know that supplementary estimates can be provided.

Mr. DEUTSCH: Yes, but they are not automatic.

Senator HOWDEN: Would it not be fair to say that when the Blue Book is compiled, that is the estimates, they start out with accomplished facts and that a guess is made as to what is not known but is contemplated by the Government. In other words, you do not know just what is going to happen?

Mr. DEUTSCH: I can say that anything that has not been decided,—

Senator HOWDEN: Exactly.

Mr. DEUTSCH: —any decisions that have not been taken either by the Government or by Parliament, there will be no provision in the estimates for those undecided questions. In other words, the estimates are to provide for activities and functions in the following year, for projects and activities which have been approved up to that time; and the process of estimates is to find what is going to be the cost of clearing out these activities and functions as they have been approved up to that time.

Senator EULER: That is what constitutes the main estimates.

Mr. DEUTSCH: That is what constitutes the main estimates.

Senator GOLDING: Mr. Deutsch, if I have followed you correctly, your opinion is that the Department or the Minister responsible for the Department will put in the estimate and exercise some care in putting in an estimate that will be sufficient to carry on the work of the Department: he will not put it below what he expects to need, in order to make a good showing, or something like that. According to your summing up, what he will do will be the very opposite.

Mr. DEUTSCH: I think that is correct. The Department is asked to request in its estimates what it thinks it will need to carry out the activities and the functions which have been approved to be carried out at that time. Now, you say, if they happen to guess low, they can come back and get supplementaries in March. That process is not automatic, sir. There will have to be very good reasons given as to why the supplementary is necessary, and the reason "We put in a low figure, knowing that we were going to need more money," is not usually regarded as a very good explanation. For that reason Departments are requested to put forward what they think they actually will need in that year.

Senator CAMPBELL: Do you know whether the procedure followed in Canada is different from the United States in so far as the carry-over of unexpended appropriations is concerned?

Mr. DEUTSCH: Yes; our practice is different.

Senator CAMPBELL: Would you explain the difference, please?

Mr. DEUTSCH: In our practice, amounts in a vote which have not actually been expended at the end of the fiscal year cease to be available to the Department. That is what I mean by "lapses". Generally speaking, there are some lapses in almost every vote, though some of them are very small. As I have explained, the vote total cannot be exceeded. The only way you can vary from it is downwards. There will be some slight variation; it varies with different needs that Departments have—

Senator EULER: In case of an emergency, where an expenditure is found necessary by the Government which is not covered by the main estimates, can they not spend more money than what has actually been voted?

Mr. DEUTSCH: Well, of course, you can get a Governor General's warrant. You can do it in an emergency. You follow certain procedures.

Senator EULER: It has been done?

Mr. DEUTSCH: It has been done, but relatively rarely in recent years; only under exceptional conditions. That is the only exception there is to exceeding the vote. In Canada, in our practice, these amounts which are not spent lapse. In the United States there are many amounts provided which do not lapse; they carry them from year to year. I do not use the general phrase here, senator, because the Administration from time to time imposes limitations of an executive nature even though large sums of money have been voted by Congress—the Executive once in a while puts limitations on what may actually be spent; so we cannot make a general rule about it. But in many cases moneys are voted in Congress for activities and for Departments which carry on until they are spent. They do not lapse automatically at the end of the year. That is quite a different practice from ours.

Senator CAMPBELL: May I ask another question? Do you feel that there is any advantage in the United States system as against ours, tending to encourage Departments not to spend up to their full amount voted that particular year, but to be able to spend it in future years?

Mr. DEUTSCH: Well, I think if you are discussing the pros and cons of this matter, one can say that if a department knows that it is going to have so much money to do a certain thing, it can plan its expenditures, it would



not be encouraged to try and spend everything within the fiscal year. That argument has been made. On the other hand, the counter-consideration is that under this system of lapsing, Parliament has a closer control over the expenditures from year to year. If you provide large funds to departments which would not lapse, the financial activities in the subsequent year go on on previous authorization, without any further review by Parliament. With this system of lapsing, every year's financial activity is subject to the full control of Parliament that year. That, I think, is the reason for this provision of lapsing.

Senator GERSHAW: Does the money have to be spent for the specific purpose for which it was voted?

Mr. DEUTSCH: Yes.

Senator GERSHAW: It cannot be transferred—

Mr. DEUTSCH: No, you cannot transfer it.

Senator GERSHAW: —within the Department?

Mr. DEUTSCH: From one vote to the other. Money may only be spent for the vote it was provided for. What you may have reference to, senator, is that the votes themselves are then further broken down into allotments, and the Treasury Board establishes these allotments. They take the vote total, say \$2 million, and break it down into sub-allotments, further breakdowns, and amounts are set up against each one out of the \$2 million. Now the departments have to spend that money in the vote in accordance with those allotments, but the amounts in the allotments may be altered; and that is where the flexibility comes in. Treasury Board may approve changes between those allotments, but the vote itself has to be spent in accordance with the definition of the vote, and moneys may not be transferred from one vote to another.

Senator VIEN: You can change the breakdown?

Mr. DEUTSCH: Yes, but not the vote. You can change the breakdown inside the vote, but you cannot change the vote or transfer between votes.

Senator CONNOLLY: May I ask you a question, Mr. Deutsch?

Mr. DEUTSCH: Certainly.

Senator CONNOLLY: Senator Campbell asked you what the difference was between the American and Canadian standards with reference to these lapses.

Mr. DEUTSCH: Yes.

Senator CONNOLLY: What is the system in Britain? Do they follow our system?

Mr. DEUTSCH: Yes, or we follow their system.

Senator CONNOLLY: Is there any place where the amount of lapses over the entire service can be found? Is it given in the Blue Books from year to year?

Mr. DEUTSCH: I suppose you would get some indication from the forecast of expenditures. There is an item called "Forecast of Expenditure" for any particular year and you can compare that with the amount voted.

Senator CONNOLLY: You can get individual examples from the Blue Book in many places but do you get an overall amount in any place?

Mr. DEUTSCH: Take, for instance, this year's Blue Book. I have a case here which has to do with the general administration of the Department of Finance. That is a good one to take. You will see that the amount voted for the general administration in that vote in 1954-55 is \$1,977,000. The forecast of expenditure for the same year, which is shown in the Blue Book, is \$1,930,000. Therefore, there is a lapse there of about \$47,000.

Senator CONNOLLY: Is there any place where the total amount of those lapses for all the departments can be found?

Mr. DEUTSCH: That can be found in the Public Accounts. The control of the Treasury reports the lapses for all departments and you can find them in the Public Accounts.

Senator CONNOLLY: Does it make any difference when the budgetary forecasts are being made? Is there money available there which will have an effect on budgetary proposals?

Mr. DEUTSCH: Yes. When the Minister of Finance prepares his budget he has to make a forecast of actual expenditures. In the first place, as you know, the minister reports to Parliament in his budget speech what the expected out-turn will be in the current year, whether there will be a surplus or a deficit. Therefore he has to make some estimate as to what the actual expenditures are as compared to his estimate of actual revenues in the current year.

In making his estimate of expenditures for budgetary purposes, the minister will make an estimate of actual expenditure. When he forecasts his expenditures for the following year, which is the basis of his budget he is presenting, he will also make a forecast of actual expenditures. In making that forecast he has to make some estimate of what the lapses will be. So that is taken into account when the budget is made out.

Now, to go on. I have indicated what we have asked the departments to do, namely, to show the vote requested as compared with the previous year. That is the most important thing. Then the next thing to do is to show a record of actual expenditures for a period of four years, so that the amount requested in the current year can be compared with what a certain department has actually spent over the previous four-year period.

The third matter which the departments are asked to present are detailed instructions of every increase which is requested. They are asked to explain the increases in the amounts required in each vote by the details of that vote. In other words, the votes are broken down into standard objects—salaries, allowances, and so forth—as outlined in the big table in the back of the Blue Book. They are asked to explain in every case why they are asking for an increase. They are asked the reason. There is a paragraph or so devoted to explaining each item, what it is for and why an increase is being sought. That in itself makes up a book for each department of anywhere from 100 to 200 pages. When this material is ready it is then sent in by the various departments to the Treasury Board staff. Incidentally, the material is prepared on a uniform basis by all departments.

Senator REID: How many members comprise the Treasury Board, may I ask?

Mr. DEUTSCH: There are six ministers on the Board, and the staff which is concerned with this work would consist of about forty members.

Senator REID: Are the ministers always the same or are they changed?

Mr. DEUTSCH: The ministers on the Board are designated by Order in Council. They have alternates, however, and when a regular member cannot be present, his alternate will attend. Generally speaking, the principal ministers are usually present at the Board, so that there is a continuity. The Minister of Finance is the Chairman.

Senator EULER: The Minister of National Revenue is always on it, is he?

Mr. DEUTSCH: Yes, and the principal ministers are usually present at the Board unless they happen to be out of town or something of that sort. There is a continuity.

When this material is submitted to the staff of the Treasury Board it is thoroughly analysed. The purpose of this analysis, first of all, is to make sure that the information which the Board requires has been supplied. That means going through all the information presented to see that what the Board has required and what is needed for the printing of the Blue Book has actually been presented. In itself that is quite a task, for this material is voluminous. The staff has to make sure that the information is presented in the way it will be required, and that may give rise to further communications with the departments, the request for further explanations and elucidation, and so on. The staff will also examine the proposals from the point of view of whether the form is correct. In other words, the staff has to see that the votes are properly described, that the presentation with respect to the material which has to be put in the Blue Book is in accordance with the wishes of Parliament. The Public Accounts Committee and other committees, such as the Senate Finance Committee, have indicated from time to time certain preferences or wishes regarding how they want material presented. The staff of the Treasury Board will examine the material to see that the presentation is in accordance with what Parliament has expressed from time to time.

Senator EULER: May I ask you another question, Mr. Deutsch? Let us suppose a department or a minister seeks to add a considerable number of civil servants to his staff. Has the Civil Service Commission any authority to limit that in any way in accordance with the need?

Mr. DEUTSCH: I was going to devote a separate piece of my—

Senator EULER: I am afraid I am always anticipating what you are going to say.

Mr. DEUTSCH: Perhaps I could come to that later, Senator. To make the matter less complicated and easier to follow, I thought I would break up the two questions.

Senator EULER: I did not know that you were going to deal with that, I was just curious.

Mr. DEUTSCH: Now, the staff also will try to make such analyses of this material as might be helpful to the Treasury Board when it comes to consider the departmental proposals. This is a pretty large amount of material with a great deal of detail, and it is necessary and desirable for the Board to boil it down so that the Board can get to grips with it, and the staff will make the kind of analyses which will enable the Board to come to grips with the proposals. As to the sort of analyses it will make, first of all, it will prepare the sort of summary for each department which you have in the back of your estimates, namely, this big sheet that Senator Crerar had, which shows the objects of expenditure of every department of government, all placed on one big sheet. Now, the Treasury Board staff will make such an analysis for each department so that the total expenditure programs can be put together on one sheet showing how much that department will spend altogether on salaries and wages compared to the previous year, and similarly, objects of expenditure all the way down to construction of equipment, for services, telephones, publications, for materials and supplies; they will show the proposals of that department, for the whole department, as compared to the previous year, and that enables the whole picture to be put down on the one sheet of paper, rather than going through each separate vote and looking at it. Also, a further analysis will be made for the purpose of the Board to break down the department's expenditure into what might be described "Ordinary Operation and Administration", that is, current operating costs, so to speak. Then another breakdown shows the capital expenditure for that department, so that you can see what the trend is in operating costs as against capital costs.



The latter is likely to fluctuate more rapidly than operating expenses. An analysis is made showing the ordinary operating and administration expenses of that department this year as compared to the previous year, and showing capital separately, so as to take out any unusual fluctuations arising out of that fact. That is another type of analysis.

Then a third analysis we also make for the Board is this: We show the change in total expenditures proposed from one year to the next, and then we prepare a brief memorandum showing the main reasons for those increases or changes. What are the highlights of it? What is it due to? Which factors accounted for the changes, and why? Again, that is done to boil the thing down to focus on the main issue. Now, the Board's staff makes that type of analysis, and in making it there is a good deal of coming and going with the department, in the matter of elucidation, and so on.

Also, the staff looks to the proposals from another point of view in order to assist the Treasury Board to consider the estimates. The staff will examine these proposals of the department from the point of view of whether or not everything that is proposed has been approved by the government. Is the program of expenditures based on existing government policy, or is it not? What is new here? The theory is that these expenditures should deal with or should provide for the carrying out of activities and functions which the government has decided the government should carry out. If expenditures are proposed about something that has not been approved by the government, then the Treasury Board staff in its analysis will point this out to the Board and say, "Well, look, this department is proposing to spend such and such on an activity; as far as we know there has never been a decision taken about this by the Cabinet or by Parliament." Now, we are not saying at this point whether it should or not be done; that is not our function.

Senator EULER: You are simply trying to carry out the policy of the government?

Mr. DEUTSCH: That is right. It is not our function as civil servants to do that, but in order to help the Board consider the matter we indicate any proposals which are outside of what has up to that time been approved.

Senator CAMPBELL: A new project for public works, for example, proposed by the Minister would be an example of that character?

Mr. DEUTSCH: Yes. Of course, in the case of new projects and public works, all new projects will be put to the Board, every single new one. Any new building—of course, in most of the cases, or in many cases, the building construction carries over from one fiscal year to the next. I mean, the building does not get done in one fiscal year, and new money has to be voted. Now, those all have been approved in the past, and there are simply revotes of money to carry out a previously proposed building, because you cannot stop in the middle of a building, and you assume that it will be carried out. But any new building will be brought specifically to the attention of the Board. But I was referring to activities, rather than buildings. If a department thinks it is a good idea to do something new, some new activity, if that appears in the proposals we would point out to the Board, "Look, this and this is something new, and so now you may wish to consider that." The main purpose of that is to boil down the relevant information so that the Board can get at it, and this is the sort of thing we pull out for them. Anything that appears to be new and which has not had previous approval either by the government or by Parliament will be brought to the Board's attention. Also the staff will sometimes draw the attention of the Board to any significant changes in scale of activity. A lot of things may have been approved in the past, a lot of activities, but what is the scale? That often is not a very easily definable thing, and again if there appeared to be to us any significant changes of scale, we would highlight that for the Board.

Senator EULER: You mean the size of it?

Mr. DEUTSCH: Yes, the size or scale.

Senator EULER: You are referring to building projects now?

Mr. DEUTSCH: No, any activities. Let us say, for instance, just as an example—and I do not intend you to take this as being real, but suppose we see in the proposals that they are going to double the expenditures on geological surveys and that they have been running around \$3 million or \$4 million a year, with a slight increase, perhaps, and all of a sudden you get a proposal that they should be \$10 million a year. Well, that I would consider a significant change of scale in activity. There is a problem of scale, and if there are any significant changes in scale, they will be brought to the attention of the Board. Supposing there was a certain doubling of activity in the Geological Service. That would be a significant change in the scale of activity, and that type of thing would be brought out in the analysis so that the board can consider it.

The CHAIRMAN: Suppose that the Department of Public Works decides to recommend the building of a new post office, say, in Toronto, and they propose an appropriation of \$15 million for that purpose. Is that proposal scrutinized by Treasury Board?

Mr. DEUTSCH: Yes, that is right. Let us take the concrete example of a proposal to build a post office in Toronto at a cost of \$15 million. That would be quite a building. The department in putting forward that proposal will be called upon to explain to the Treasury Board reasons why the building should be built, and those reasons must accompany the proposal. The Treasury Board staff will assist the board in discussions with the department to make sure that all the information ministers will wish to have to come to a decision is available to it. If the original material coming from the department seems to be inadequate in any way—not intentionally, just because they have overlooked it—the staff of Treasury Board will speak to the staff of the department with a view to obtaining more information about the proposal, and both staffs will try to work together to get out the kind of information which the ministers will wish to have when they are asked to make a decision on the proposal.

Senator REID: Does Treasury Board ever reach the point where they call the minister responsible for that proposed expenditure before it to explain the item?

Mr. DEUTSCH: Yes, when the estimates for a certain department come before the board the minister of that department comes before the board to explain them.

Now, to go on senator, I was explaining what happens to the material. When it first comes to Treasury Board the staff of the board makes this type of analysis in order to help the ministers consider the matter when it comes before the board. This material is very voluminous, very extensive and very detailed, and in order to assist the ministers and the board these various types of analyses are made and highlighted so that the ministers can focus on the issues which arise.

The staff of Treasury Board in looking over the material may have various discussions with the staffs of the different departments. For instance, on this question of lapsing that I discussed, the staff of the Treasury Board may, if it thinks it useful, go back to the department and say "Look, it seems you have a very high lapsing record in some vote or other, your lapses are 10 per cent, 15 per cent and 20 per cent of your vote every year. How come? Are you sure you have made the best estimates that are possible?" And the staff of the board will discuss it with the staff of the department to see if there is any explanation for this. We examine into all these things. Also, we may discuss

with the department whether the estimate they are making is as close and as good an estimate as it can be, having in mind the lapsing record, having in mind the explanations given for the increase, and in that way there will be a certain amount of detail cleared out of the way, to better enable the ministers to get on with the main business rather than spend too much time on the mechanical details of the estimates. The staff of the board tries to reduce to a minimum the mechanical aspect of the estimates.

Senator ISNOR: Have you been able to rectify to some extent that position with regard to certain of the departments in the last two or three years.

Mr. DEUTSCH: We have been trying, Senator Isnor, to make sure, in collaboration with the departments, that the estimating is as good and as close as it can be.

Senator ISNOR: I have in mind particularly the Department of Public Works. I may say that they have quite a lapsing record. However, in the last two years I notice that that condition was cleaned up pretty well.

Mr. DEUTSCH: The Department of Public Works and ourselves have been working on this problem to try and get the estimates and performance closer together. The staff of the board will work with the staff of the department to try and make sure that the estimates are made as accurately as possible, and if there seems to us to be any discrepancy we will draw it to their attention and say "How come?" And all this is done in a co-operative way between the staffs of the board and the staff of the department, so that the mechanical details are straightened away as much as possible so that the ministers can focus on the main issues.

The CHAIRMAN: Does that produce results at times? I mean are you able to induce the departments to reduce their estimates.

Mr. DEUTSCH: If it is a policy matter that of course is hardly our business as civil servants. If it is a matter of estimating, a matter of carrying out the technical aspects of the thing, I would say that our results have been useful, Senator.

This is all done on the staff level on a co-operative basis, between the staffs of the departments and the staff of Treasury Board. Both staffs sit down and look over the explanations given of the amounts, they ask for the lapse record in the past, look for something here and there that can be tightened up a bit. When it gets into a policy question, a question as to whether something should be done or not, as to whether a function should be reduced or increased, that is a matter for ministers. These proposals when they come to the board are ministerial proposals—I mean the minister signs them and they are his proposals and he has considered the policy aspect of them and when it gets into these policy questions it is a matter that ministers have to settle. What we want to make sure is that the staff gives every possible assistance to the ministers and eliminates detail so that they can focus on the policy issues that arise.

Senator PIRIE: What is the procedure for estimating unforeseen subsidies?

Mr. DEUTSCH: You mean to say subsidies which are approved without the amounts being known?

Senator PIRIE: That is right.

Mr. DEUTSCH: Well, they will have to make as good an estimate as they can.

Senator PIRIE: For instance, when the estimates are made up nothing is known about any particular subsidy that may come up later.

Mr. DEUTSCH: You mean it is approved later?

Senator PIRIE: Well, it must be approved later.



Mr. DEUTSCH: If it is approved later it would not come in these estimates at all. Nothing gets into these estimates that has not been approved.

Senator PIRIE: Let us say that there is a failure of the apple crop in Nova Scotia and that the Government decides that a subsidy of a couple of million dollars will be paid to the apple growers.

Mr. DEUTSCH: In the first instance that money comes out of the Prices Support vote. There is a vote of \$2 million for price support operations. That is a fund which Parliament has set aside for this purpose.

Senator EULER: You do not require an estimate for that?

Mr. DEUTSCH: No, and if the apple crop in Nova Scotia were to fail any subsidy would be paid out of that fund. Then, what happens is that at the end of the year that fund is repaid.

Senator PIRIE: Suppose that the amount taken out is more than the amount in the fund.

Mr. DEUTSCH: Well, to offset that possibility is the reason the fund is set at such a high figure. It would be quite a disaster if the whole \$2 million was required at the one time.

Senator HAIG: The supplementary estimates cover that.

Mr. DEUTSCH: Yes. If there was an apple crop failure in Nova Scotia and the Government decided to subsidize the apple growers, the money for that purpose comes out of that fund and at the end of the year that fund will recoup the amount by way of the estimates.

Senator BARBOUR: A national disaster could be dealt with by Governor-General's warrant?

Mr. DEUTSCH: If there was no money available that would be so. However, if Parliament was in session that would not be necessary. If parliament is in session the Government can at any time ask for estimates. It does not have to wait until the blue book comes in.

Senator EULER: It can ask for money at any time.

Mr. DEUTSCH: It can ask for money at any time. So long as Parliament is in session they are not bound by these blue book estimates, but if Parliament is not in session, and there is no money specifically voted, if it is a large amount it can only be done by Governor General's warrant.

Senator HAIG: Would it help you if we notified you now that we are going to have a claim from Saskatchewan for water?

Mr. DEUTSCH: For water?

Senator HAIG: For too much water?

Mr. DEUTCH: Well, Parliament is still in session, Senator. As long as Parliament is in session they can go back and ask for money at any time. It is not confined to this estimate period.

Senator ISNOR: Is it a matter of policy, or does the Treasury Board decide as to the form of deposit which is necessary in connection with the building of projects awarded by contract? I am following along a question asked by Senator Campbell, concerning the difference between the United States and Canada in regard to methods. Here you ask a contractor to put up 10 per cent. There is some criticism of this practice from time to time by the small contractor. Does that come under your jurisdiction?

Mr. DEUTSCH: Well, sir, you want me to explain that here? You are quite right; the policy is to require a deposit of 10 per cent—as against a surety bond of some sort. This is a matter which has been considered from time to time.

Senator HAIG: That is government policy, anyway.

Mr. DEUTSCH: The ministers have decided that this should be done.

Senator EULER: Is it a matter of statute?

Mr. DEUTSCH: No, it is a matter of regulation, sir. This is governed by regulations of the Governor in Council. This question has been raised from time to time, and the Government has given consideration to it and has decided that they want the 10 per cent deposit.

Senator ISNOR: It ties up the small contractor. Perhaps they will hold the money for a period of six, nine or twelve months after the contract has been completed. I say that is not fair to the small contractor. Now I am asking as to whether it is a recommendation of your Board to the Government that this policy be continued.

Mr. DEUTSCH: No, that is a decision of Government, sir.

Senator ISNOR: Would you care to express your views on it?

Mr. DEUTSCH: I don't think so, senator.

To carry on with this: when this analytical material is prepared by the staff of the Board, as I said before, the purpose of this analytical material is to highlight the estimates which each Department is proposing—to highlight for the Board in a meaningful way what is involved in these things, and the Board may deal with the thing expeditiously and effectively, because the material is very voluminous and detailed, and it is hard to get to grips with unless there is some analysis made of what it means. And this is the function of our staff, principally to isolate all the policy considerations which arise with which Ministers have to deal. When this is ready—and usually it is ready about the early part of December—the Treasury Board meets regularly over a period of three to four weeks, sometimes longer than that, every second day, and each Department's estimates are taken up in turn. At these meetings the Minister of the Department and usually some of his staff—his Deputy and maybe some others—come to the Board, and the estimates are then discussed by the Board with that Minister, and decisions are taken as to what may be included for presentation to Parliament in the blue book. Some things the Board will dispose of right there—some of the policy considerations; others may have to be referred to Cabinet—things of more general interest. Particularly, concerning Government policy in general, the Board may say, "Well, here is a proposal which is new; this ought to be considered in Cabinet"; and the Board either decides what may be approved and what needs further approval from the Government as a whole; and when that is done, these matters are referred to Cabinet, decisions are taken, and once these things are settled we are in a position to prepare the material for the blue book for that Department.

The same procedure is gone through for every Department. This takes considerable time; it may run anywhere from three to six weeks, with the Board meeting every second day. The Ministers and the Treasury Board go through the material vote by vote; they take each vote, look at it for each Department, and they either approve of it or make changes; or, if further decisions are required, they may suggest that matters be taken back to Cabinet for decision; and when matters are all settled, either in the Board or in Cabinet, then the material is ready for presentation to Parliament for each Department.

Finally, when the whole thing is completed, all the Departments have been examined in the Treasury Board and the estimates are then in a draft form. The whole composite estimates of all Departments are then taken to the Cabinet, the Minister of Finance explains, presumably, what is in them, and the Cabinet approves them, and when they are approved by Cabinet they are ready for delivery to the House of Commons. That is the procedure.

Senator REID: Have you the figures regarding the uncontrollable expenditures compared with the controllable expenditures of Government?

Mr. DEUTSCH: Yes.

Senator REID: Over, say, four years, how do they stand in relation one to the other? How much of the money we are spending has the Government control of? I am speaking, in reference to uncontrollable expenditures, of commitments like veterans' allowances and family allowances, which must be paid. I think it would be very interesting to have that information. I am sorry to have to ask you that before you complete your statement.

Mr. DEUTSCH: I have not got that here with me, but we can provide it for you, if you like—the controllable as compared with the uncontrollable expenditures over, say, the last four years.

Senator REID: Or whether uncontrollable expenditures are going up or down.

Mr. DEUTSCH: By "controllable and uncontrollable" I presume you mean statutory and non-statutory. The amount of controllable expenditures is pretty difficult to define.

Senator HAIG: He means statutory.

Mr. DEUTSCH: You can say, I suppose, that the salaries of all civil servants are controllable. In any event, you have to use some clear definition such as statutory or non-statutory.

The CHAIRMAN: I think that would be a better definition.

Mr. DEUTSCH: What do you mean by controllable? How far do you want to control?

Senator VIEN: There is theoretical control and practical control.

Mr. DEUTSCH: Yes.

Senator VIEN: Mr. Deutsch, Senator Euler mentioned the Civil Service.

Mr. DEUTSCH: I was going to keep that separate from the main estimates so as not to complicate the discussion.

Senator ISNOR: Are you through with administration now?

Mr. DEUTSCH: I am through with the general estimates.

Senator ISNOR: I want to ask a question with regard to awarding contracts. What is your position and what authority have you in regard to the awarding of a contract in connection with a project which has been approved? Tenders have been called and the contract is about to be awarded but it must be approved by Treasury Board before it is finalized.

Mr. DEUTSCH: Yes.

Senator ISNOR: Are you then in a position to say "No, this exceeds the amount or there are some things in it that should not be in it"? I want to comment on that afterwards.

Mr. DEUTSCH: The Treasury Board is required by regulation of the Governor in Council to approve all contracts over certain minimum amounts. These amounts are \$50,000 where the lowest tender is taken, and \$15,000 for a contract where the lowest tender is not taken. By regulation of the Governor in Council the Treasury Board must approve all contracts over these minimum amounts. Naturally the ministers and the Board may either approve or not approve or may lay down conditions. That is a matter for their discretion.

Senator ISNOR: I am dealing with the position of the Treasury Board.

Mr. DEUTSCH: Yes, and I am talking about the Treasury Board. Senator Isnor, by regulation of the Governor in Council the Treasury Board is required to approve all contracts above these minimum figures, and in doing so the Board may approve or disapprove or may lay down conditions as it sees fit. In other words, it is automatic.

Senator ISNOR: That is your complete answer?



Mr. DEUTSCH: Yes.

Senator ISNOR: Mr. Chairman and members, I want to place before you and the witness the position which a contractor finds himself in. I think these things are being done backwards. They approve an amount for a project. They go to the trouble of having the architect draw plans and write specifications, and they advertise for tenders on such and such a date. These come in and the amount, we will say, is \$125,000 for this project. To finalize that contract approval must be given, as Mr. Deutsch has said, by the Treasury Board. When it goes before that authority, notwithstanding the contract has been approved by the department and the minister, Treasury Board may say "No, we are going to cut that down to \$100,000. We feel \$125,000 is too much." Of course, they give their reasons. They say that there are too many bathrooms or too many of something else. Then the matter is set aside and no contract is awarded. That is your position, is it not?

Mr. DEUTSCH: That is not my position. Those are the regulations of the Governor in Council, sir.

Senator ISNOR: Well, I want to put myself on record as saying that it is an unfair position in so far as the Board is concerned in their relation to that contract.

Mr. DEUTSCH: This is a matter of Government policy. The Government has passed regulations regarding the matter as to how contracts are to be awarded. These regulations require that all contracts above certain minimum amounts must have the approval of the Treasury Board.

Senator ISNOR: You have given the amount of \$50,000?

Mr. DEUTSCH: \$50,000 where the lowest tender is taken, and \$15,000 where the lowest tender is not taken or where it is not let by tender but perhaps by cost plus. The general rule is that all contracts must be let by tender, and if the amount is over \$50,000 it has to be approved by the Treasury Board.

Senator EULER: Must the lowest tender be accepted?

Mr. DEUTSCH: Yes. There is a whole set of regulations as to how contracts are to be placed, and the general regulation is that the lowest tender must be taken.

Senator VIEN: Unless there are good reasons to the contrary.

Mr. DEUTSCH: Yes. The department may give contracts on a fee basis or a negotiation price basis, and they have to give reasons.

Senator ISNOR: Mr. Deutsch, how would your Board arrive at a decision such as I have illustrated?

Mr. DEUTSCH: That is up to the ministers. They may say that a certain project is too big or they do not agree with it. It is their privilege to say no. That is what the regulation provides.

Senator VIEN: The Treasury Board is a Committee of the Cabinet.

Mr. DEUTSCH: Yes. It is a Committee of the Cabinet to carry out certain functions.

Senator VIEN: Suppose the department which prepared the estimate finds that this work could be done for \$80,000 and yet the lowest tender is \$125,000? There might be good reason why the Treasury Board would consider the amount of the lowest tender, \$125,000, as being excessive.

Mr. DEUTSCH: That is right.

Senator VIEN: They might, in checking the estimates of the department, feel there would be a reasonable margin of profit to the contractor at a price of \$80,000, and that \$125,000 is not reasonable.

Senator PIRIE: Then they would not be relying on their architects?

Senator VIEN: Suppose the architects and engineers of the department estimated that this contract should not cost the department more than \$80,000? Then they called for tenders and the lowest tender amounted to \$125,000, which is \$45,000 more than what the architects and engineers of the department estimated.

Senator PIRIE: That is not what Senator Isnor's case is.

Senator ISNOR: No. Let me put it another way. I do not want to over-stress this, but suppose the estimate of the department is \$97,000 and tenders are called and the lowest tender is \$90,000, which is \$7,000 below the estimate of the department. Then the Board comes along and says "No, we are not approving that contract".

Senator HAIG: That is the policy of the Government.

Mr. DEUTSCH: That is right.

Senator HAIG: And they decide \$90,000 is all they are going to spend on that building and that ends that.

Senator VIEN: Suppose the estimate of the architects and engineers is \$97,000 and the lowest tender is \$90,000. The Government may think they cannot proceed without losing money at that price, or that it cannot be done effectively.

Hon. Mr. HAIG: That there might be a slip-up on the job.

The CHAIRMAN: Is this not a bit out of range?

Senator ISNOR: No.

Senator VIEN: I would suggest that it is a matter of policy of the Treasury Board, which is a committee of the Government.

Mr. DEUTSCH: Senator Isnor, the Board operates in accordance with the regulations passed by the Governor in Council. They pass certain regulations as to how contracts are to be awarded, and they lay down certain regulations. The most important of these regulations is that the lowest tender is to be taken. That is a general regulation which applies to all departments. If the contract is for more than \$50,000, and the lowest tender is taken, that contract requires the approval of Treasury Board. That is what the regulation says. And Treasury Board may give approval or may not give approval. The reasons they use to, say, disapprove a contract is a matter that ministers decide. It may be too much money, it may be certain features of the building they don't like, and they say, "Well, we don't like that, we won't approve it on that basis", and they are acting within the regulations that are laid down.

Senator ISNOR: Thank you, very much. I felt it would serve a good purpose to bring this to your attention and to the attention of the committee.

Mr. DEUTSCH: Of course, I suppose the contract really, you see, Senator, is not awarded unless there is Treasury Board approval.

Senator ISNOR: I realize that, but in the meantime they have spent a lot of money.

Mr. DEUTSCH: Yes. Now, I wanted to deal separately with the question of staff, that is, civil servants. Senator Euler asked a question about that. In these estimates the departments are asked to show the amounts which they wish to obtain in the votes for, say, salaries and wages, in other words, to pay the civil servants. The votes themselves are votes for services like administration of a department, or to carry out a certain function. Now, in the breakdown of that vote, as I explained, one of the breakdowns is salaries and wages, and there are other breakdowns, such as equipment and supplies, and so on. These breakdowns are then set up as allotments against which the departments operate, and those allotments may be changed. As long as you stay within the vote you can change the amount within the allot-

ments. Therefore, since the votes contain allotments for salaries and wages the whole matter of staff has to be considered. Now, in the past year we started some changes in how this matter was dealt with. In connection with the estimates now before Parliament we began a procedure for reviewing the departments' request for staff.

The CHAIRMAN: When was that?

Mr. DEUTSCH: It was started last July. It was felt that it might be helpful if we had a more systematic way of looking at the staff.

Senator VIEN: When you say "we", you mean the Treasury Board?

Mr. DEUTSCH: I mean the Treasury Board, that is right. The Treasury Board decided it would be a useful thing to have a general survey of the staffs of all departments; and so in July, well in advance of the estimates—because when you come to estimates time you have to put the dollar sign against it, and before you put the dollar sign against it, we say "Let us look at staff in numbers and classifications." And under the direction of Treasury Board the procedure was adopted called "The Establishment Review" procedure. This procedure was carried out in this way: A committee was appointed for each department; the committee consisted of a representative of the Treasury Board staff, a representative of the Civil Service Commission, and a representative of the department—usually the personnel officer or the main administrative officer of the department. There is one committee for each department. That committee requested the department to, first of all, prepare information on the existing staff and show its existing staff strength, their classifications, and so on; and then the department was asked to indicate what staff it would be requesting in estimates to compare with their existing situation. In other words, what is your staff now at a certain date? What are its various classifications? What are you proposing to ask in estimates for which you will be requiring money, so that we can see what changes are proposed in staff for the money which will be required in the estimates? Now, those requests were then examined by this committee, and they were looked at from an over-all point of view. In other words, last year's staff was so much. Now you are requesting this, and it involves increases in this area, and so on. Now, the purpose of this review was to, first of all, make sure that the requests were kept within the minimum necessary, and if increases were requested for any purpose and they can be substantiated. Before those increases are automatically sent forward every effort should be made to see whether staff could be saved anywhere before new staff is asked for. What other functions are there that are declining, let us say, or should be declining? Or, is there some place where staff may be saved, before we consider the addition of new staff? And you could only do this if you take an over-all look at the situation. If you are dealing simply with an individual request for an increase you are simply looking at that particular thing, and of course there may be very good reasons for that particular thing, and why it would require more staff, but that does not tell you whether something else may not require more staff, or may require less staff. So the idea of a general review was to look at the increases in relation to the general picture and to see if some place else the staff could not be reduced.

Senator VIEN: When did you get that information?

Mr. DEUTSCH: We asked for it in July.

Senator VIEN: When did you get it?

Mr. DEUTSCH: We got it in July, August and forward. We asked for it so that the committees could get to work as quickly as possible.

Senator VIEN: Are they at work now?



Mr. DEUTSCH: Well, this year we will start again in July for the next year. I am talking about last year, you see.

Senator EULER: You say there is a representative of the department on the committee?

Mr. DEUTSCH: Yes.

Senator EULER: A representative of the Civil Service Commission, and one from the Treasury Board staff?

Mr. DEUTSCH: Yes.

Senator EULER: Supposing a certain department, say the Department of Agriculture, wants an increase in staff of 25 people, do you then take the recommendation or the explanation of the member from that department as to whether this number of people are required, or do you go beyond that, and if so, how?

Mr. DEUTSCH: Well, we look at these requests for increases of that sort and we ask the department to explain why they want these increases. As far as the Treasury Board representative is concerned we will be looking at that increase from the point of view, first of all, of whether that function, or the extension of that function, is something which is in accordance with government policy, for one thing. In other words, has the government approved this activity, and if it has not we will find out from explanations given if that is so or not. If the government has not approved the undertaking of this activity for which 25 people are required, we would say to the department, "You had better get some approval on this first, we cannot accept this." Or if it is within government policy, the function has been approved, and so on, the next question is, are these people really needed to do what you say they are needed for? Why was this function carried out last year with this number of people, and why do you need extra staff now? And we will get the department to explain. The Civil Service Commission representative—they are supposed to be the people who study work loads, and things of that sort, and the number of people you need to carry out a certain kind of work, and so on, the Commission will give its views on whether that number of people is needed; they are supposed to be specialists.

Senator EULER: If in their opinion these people are not necessary, have they any authority to refuse the increase in staff?

The CHAIRMAN: You mean the Civil Service Commission?

Senator EULER: Yes.

Mr. DEUTSCH: No department may add to its staff, if they come under the Civil Service Act, without the recommendation of the Civil Service Commission.

Senator EULER: They are not controlled by the opinion of your committee?

Mr. DEUTSCH: There is another feature to it. All recommendations of the Civil Service Commission for increases to staff also require the approval of the Treasury Board, so in order to increase the establishment of a department you first of all have got to get the recommendation from the Civil Service Commission approving the increase, and if such recommendation is made that recommendation must be approved by Treasury Board.

Senator EULER: It is reciprocal then. The appointments cannot be made without the approval of the Civil Service Commission and they cannot be made without permission of the Treasury Board.

Mr. DEUTSCH: Yes. There are two hurdles to surmount. That is why we are present on this committee. If the Civil Service says that we are not going to approve the increase that ends it.

Senator EULER: That is what I wanted to know.

Mr. DEUTSCH: But if the Civil Service Commission says "Yes we recommended that increase" is still has to go to Treasury Board and Treasury Board may refuse it.

Senator VIEN: Does it?

Mr. DEUTSCH: Oh yes, sometimes.

Senator VIEN: Have you had an opportunity to assess whether this procedure that you have outlined has already accomplished something?

Mr. DEUTSCH: Well, I would hope so, Senator Vien. To follow through the sort of procedure I have described where we have a suggestion for an increase, that increase will be analysed as to its necessity.

Senator EULER: How do you do that?

Mr. DEUTSCH: First of all I was trying to explain the sort of thing we look at. The first thing we look at is the explanation, is it in accordance with Government policy. For instance, suppose the Government decides to add 25 people to do something new.

Senator EULER: The first question you would ask "Is this trip necessary?"

Mr. DEUTSCH: Not only necessary but who has approved all this. Has the Government approved it, where is your approval, where is your authority for this, and if they cannot produce such authority we say, "We better have that authority before we discuss this proposal any further". That is the first thing to look at.

Senator EULER: What do you do if the Government approves it and the Civil Service Commission does not?

Mr. DEUTSCH: This is where the Civil Service Commission comes in. Suppose this increase is approved by the Government, this activity. Then the next question is, is it necessary to have this many people to do this task that has been approved. Now this is where the Civil Service Commission comes in. They are supposed to be experts on numbers and classes of people required to carry out functions. That is one of their specialities, and the Civil Service Act requires them to do this. How many positions are need to carry out the functions?

Now, the Civil Service Commission and ourselves will examine the proposal from the point of view is the 25 you need, why cannot 10 people do this job you are talking about. The Civil Service Commission will be very much concerned with this question, and will, say, recommend 15. They will say, "that is all we can see is necessary, a further 10 are not necessary to do this work you are talking about." If that is the case, then the recommendation coming forward to Treasury Board will be for 15 and Treasury Board may or may not accept that. Sometimes it may, sometimes it may not.

Now, Senator Isnor's problem: I cannot always tell what instructions ministers give.

Senator EULER: But they cannot override the Civil Service Commission.

Mr. DEUTSCH: Well they cannot. The Civil Service Commission acts under an Act of Parliament, and every increase must be recommended by the Civil Service Commission. The Treasury Board could feel that instead of 15 there should be 20, but I do not recall a situation like that. The Treasury Board may refuse to approve the 15. It may say instead of 15 we will approve 10. However, I must admit I do not know of any case where they exceeded the recommendation of the Civil Service Commission. Normally, if in the first place the Civil Service Commission is not prepared to recommend anything then nothing happens.

Senator EULER: As a matter of fact does the Civil Service Commission do much in the way of reducing the number of staff?

Mr. DEUTSCH: Oh yes.

Senator EULER: They do?

Mr. DEUTSCH: Yes. But they are concerned primarily with the numbers that are required to carry out an activity which the Government has approved of. In other words to do a certain job you need 10, 15 or 20 people, and the Civil Service Commission is required to rule on the number and the classes of people required to do the job.

Senator VIEN: Are you satisfied that they also consider the possibility of coordinating other branches and divisions so as to have this particular activity carried out by some other particular division.

Mr. DEUTSCH: I was coming to that feature, Senator Vien.

When we get through with this examination, suppose it is agreed that the function in question is Government policy, and suppose after our careful examination that 15 people are needed to do it, then the third stage, Senator, is, and this is where the new procedure comes in: We need 15 more people so let us see whether this function could not be carried out by somebody else in that department or by some other department. We look into it to see if that is possible. Secondly, if that is found not to be the case, the next question will be if you increase the number of staff by 15 here can you offset that increase by some decrease somewhere else. That feature will be examined. That is where the advantage of looking at the whole picture comes in. You may say you have a branch of your activity over here the importance of which we know is declining, that several years ago the work you were doing was of prime importance but that is not the case today and so why cannot we cut the number down in that branch to make room for these 15 who are coming on. This is where the advantage of the committee comes in. We look at all the branches, we ask whether all are equally important, are they all equally active, where can some decrease be made so that we can take care of the 15 to be engaged. The committee will look into that.

We try to examine all increases in relation to all possible decreases. Then we make a report of the department as a whole and not on the particular little cases that have been brought up. That is what this committee does, Senator, it tries to look at requests for increases in relation to the department as a whole and to make sure that as far as possible increases are not put forward when they can be counterbalanced by decreases elsewhere. This is the purpose of this overall review which I have discussed.

The CHAIRMAN: I take it, Mr. Deutsch, this departure dates from July.

Mr. DEUTSCH: Yes, of last year.

The CHAIRMAN: Prior to that the Civil Service Commission investigated the request of a department for additional staff and passed upon it.

Mr. DEUTSCH: Ad hoc. In other words, the general practice had been that when the department wished to have an increase in staff they could come forward at any time of the year and say "Look, we need 10 more people", and then the Civil Service Commission would go in and investigate that request to see if 10 were really necessary, and then that particular proposal of 10 would be the subject of the recommendation of the Civil Service Commission. It would come to the Treasury Board and the Treasury Board would accept the recommendation or not. That particular request coming in at any time during the year was looked at separately. It was dealt with as an issue in itself, whereas this new procedure is related to the picture of the whole department. That is the change that has been made in the procedure.

The CHAIRMAN: This new departure must have arisen from the fact that the old practice had not proved entirely satisfactory?



Mr. DEUTSCH: Well, I think it was thought that with the large staff at the present time the old practice may not have been found satisfactory. It was satisfactory in the days when things were smaller but as it is now at the present time, with very large and growing staffs, it was felt that there was something missing in the procedure and that any increases in the size of the staff should be related to the overall situation in that department and should be examined alongside of possibilities for decreases.

Senator EULER: The final point I want to make is this: can the Civil Service Commission refuse—and is its refusal final—any requisition for an increase of staff?

Mr. DEUTSCH: If the particular matter comes under the Civil Service Commission Act.

Senator EULER: The answer is yes?

Mr. DEUTSCH: The answer is yes. If the Civil Service Commission does not agree with a recommendation, nothing comes to the Treasury Board.

The CHAIRMAN: There is another point which just occurs to me: I do not know whether you would care to pass an opinion on it. A good, efficient Deputy Minister who is a good administrator is probably the best judge of the number of staff and the kind of staff he requires to carry out the obligations of the Department; and I just wonder—and I am not asking you to reply to this—if this procedure is perhaps not an effort to overcome a defect that is primary. You do not need to answer that, Mr. Deutsch.

Senator EULER: You mean, there might be some Deputy Minister who is not so good an administrator?

Senator CAMPBELL: It would be obvious.

Senator GERSHAW: This question is partly answered. But supposing that for a time one group of civil servants is not very busy: something special comes up, and another group is not busy, can you transfer from one to the other to cover the emergency?

Mr. DEUTSCH: Yes; there is provision, obviously, for transferring inside of a Department, and also between Departments.

Senator EULER: If the witness has concluded his remarks, I suggest that we adjourn.

Mr. DEUTSCH: I would add one more thing, to conclude my description of this staff review. This committee, when it has made the examination of the staff proposals of the Department, and in the way which I have suggested, will then prepare a report on the Department's proposals. That report goes up to the Treasury Board at the same time that these estimates go to it, because the estimate is just another aspect of this thing; the money to pay this staff is going to be provided for in these estimates. So the Board, when it comes to looking at the estimates of the Department, will have before it the Department's proposals for expenditures and the report of this review committee regarding the staff. The Department, however, is not bound by that committee report, because obviously these staff people cannot usurp the functions of the Minister. It is advisory material, but not ultimate decisions, because if they could take final decisions they could control the activities of a Department; in other words, they could say "We will give you so much staff, and that is all there is to it". This committee is an advisory body. So what the committee does is to prepare a report, which goes before Treasury Board alongside of the estimates. If the Department does not agree, or if, in this particular case, the Minister does not agree with what this particular committee has suggested in the way of staff, he is quite at liberty to make his own recommendations to the Board.

Senator EULER: But they still have to get the recommendation from the Civil Service Commission as well?

Mr. DEUTSCH: That is right.

Senator EULER: And the Commission may "can" the whole thing?

Mr. DEUTSCH: It may. It may cause considerable difficulty. The Minister may decide that the staff recommendations which were approved in the review committee report are not adequate for his purposes; or he may have some other idea; he may want to carry out some policies that the committee do not feel competent to deal with. The Department may disagree with the committee report and bring the matter up to Treasury Board, and the Board will then have before it the Department's proposals and the report of the committee, and the Ministers have to decide.

Senator EULER: Where does the Civil Service Commission come in, then? They have to make a report on that same thing, do they not?

Mr. DEUTSCH: Well, if the Treasury Board agrees with the Minister's proposal, which, say, is at variance with the committee's report, and agrees that certain things should be done, the Civil Service Commission will have to go back and examine the requirements of that Department in the light of the Government's approval of that function. In other words, the Government may say "Look, we are going to expand on activity. We agree as a matter of policy that we are going to expand it. We have decided that." The Civil Service Commission will then go back and say, "How many people do you need if you have decided that that shall be done?"

Senator EULER: And they have the decision to make as to how large a staff there should be?

Mr. DEUTSCH: Yes.

The CHAIRMAN: Are you through?

Mr. DEUTSCH: Yes, I am through.

The committee adjourned until Friday next, at 11 a.m.





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1955

THE SENATE OF CANADA



Government  
Publications

PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON

**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1956



No. 2

FRIDAY, MAY 13, 1955  
TUESDAY, MAY 17, 1955

The Honourable THOMAS A. CRERAR, P.C., *Chairman*

WITNESSES:

Mr. J. J. Deutsch, Secretary of the Treasury Board.  
Mr. S. G. Nelson, Commissioner, Civil Service Commission.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1955.

## STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

### The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Stambaugh
Campbell	Isnor	Taylor
Connolly	King	Turgeon
Crerar	Lambert	Vaillancourt
Dupuis	*Macdonald	Vien
Euler	McDonald	Woodrow—(35)
Farris	Paterson	
Fraser	Petten	

\*Ex officio member (Quorum 9)

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, March 16, 1955.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1956, in advance of the Bills based on the said Estimates reaching the Senate; That the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. Moyer,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

FRIDAY, May 13, 1955.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

*Present:* The Honourable Senators: Crerar, Chairman; Aseltine, Baird, Barbour, Connolly, Golding, Haig, Isnor, King, Lambert, Paterson, Quinn, Reid, Stambaugh and Turgeon—15.

*In attendance:* The official Reporters of the Senate. Mr. J. A. Murray, Assistant Director, Organization and Classification Branch, Civil Service Commission.

The Committee proceeded to the consideration of the order of reference of March 16, 1955.

Mr. J. J. Deutsch, Secretary of the Treasury Board, was further heard and questioned.

Mr. S. G. Nelson, Commissioner, Civil Service Commission, was heard and questioned.

At 1.00 p.m. the Committee adjourned until Tuesday, May 17, 1955, at 11.00 a.m.

Attest.

John A. Hinds,  
*Assistant Chief Clerk of Committees*

TUESDAY, May 17, 1955

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

*Present:* The Honourable Senators: Crerar, Chairman; Aseltine, Barbour, Connolly, Euler, Golding, Haig, Hawkins, Horner, Isnor, Lambert, Turgeon and Woodrow—13.

*In attendance:* The official Reporters of the Senate. Mr. J. A. Murray, Assistant Director, Organization and Classification Branch, Civil Service Commission.

The Committee proceeded to the consideration of the order of reference of March 16, 1955.

Mr. S. G. Nelson, Commissioner, Civil Service Commission, was further heard and questioned.

At 12.30 p.m. the Committee adjourned until Thursday, May 19, 1955, at 11.00 a.m.

Attest.

James D. MacDonald,  
*Clerk of the Committee.*





## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Friday, May 13, 1955.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1956, met this day at 11 o'clock a.m.

Senator CRERAR in the Chair.

The CHAIRMAN: Gentlemen, we will come to order. At our meeting on Wednesday Mr. Deutsch, the Secretary of the Treasury Board, gave us a very full description of the manner in which these estimates in the Blue Book are prepared from the initial stage when a letter is sent in September to the different departments from the Minister of Finance, asking them to supply their estimates for the next year. Then he illustrated the whole procedure from that point right to where they are tabled in the House of Commons.

I am making this summary for the benefit of members who may not have been here at the last meeting. Mr. Deutsch also explained some new steps that were taken last year to get a little closer control over the increase in staff in various departments. It was some concern to members of the committee that increases in the number of employees in the Civil Service Commission amounted to over 9,000 from March 31, 1954, to February 28, 1955. The increase in the Civil Service has been progressive and steady during the past numbers of years. The data for these increases is contained in the statistical tables before you.

Heretofore when departments wanted to increase their establishment, when they wished to get a new servant in the department, the matter was taken up with the Civil Service Commission which examined into it with the department and satisfied itself that the increase was necessary. Then the decision on the qualifications of the position were discussed and advertising was placed for applications. The applications were submitted and were rated by the Civil Service Commission, and when certified by the Commission, the successful applicant went into the service.

Senator QUINN: Would the Civil Service Commission be in a position to judge whether extra help was wanted in a department? How would they be in a position to judge whether extra help is required?

Senator REID: And also, if it comes to the Treasury Board—

The CHAIRMAN: Just a moment. We will answer Senator Quinn's question first.

Mr. DEUTSCH: Senator, when a department requests an additional position the request goes to the Civil Service Commission and they then send over their people to see and discuss with the department—there are representatives of the Civil Service Commission here so I have to be particularly accurate in what I have to say—the need for the position. They will try to satisfy themselves that the person is needed to carry out the work that it is proposed to carry out.

Senator QUINN: But the departmental officials would be the ones to judge?

Mr. DEUTSCH: They would make the request.

Senator QUINN: The Civil Service Commission would not know whether they were required or not? They could not judge whether extra help was needed in a department?

Mr. DEUTSCH: They would try to satisfy themselves that the help was needed in fact, and that the existing staff was not capable of doing the work. In other words, that the additional work was there to justify another position. They would discuss with the department what they proposed this person to do, and then they would try to satisfy themselves that indeed that work was there and that the existing staff was not capable of doing it. On the basis of that examination they would make a report to the Treasury Board. Then that report would go before the Treasury Board and the addition could not be made unless the Board approved the Civil Service Commission's report. In other words, it is not automatic after the Civil Service Commission has made a report and recommended the addition of another person, for at that stage it still requires the approval of the Board and the Board may or may not approve the recommendation.

Senator STAMBAUGH: Does it have to have the approval of both the Treasury Board and the Civil Service Commission?

Mr. DEUTSCH: Yes.

Senator STAMBAUGH: The Treasury Board could not overrule the Civil Service Commission?

Mr. DEUTSCH: Yes. If the Civil Service Commission agrees with the proposal of a department to add another person to the department's staff, and so recommends, the Treasury Board may refuse to grant the request.

Senator STAMBAUGH: I mean the other way around. Suppose the Civil Service Commission refused it? Could the Treasury Board say "Yes"?

Mr. DEUTSCH: Suppose the Civil Service Commission refused it, could the Treasury Board say "Yes"?

Senator STAMBAUGH: Yes. In other words, the department carries it past the Civil Service Commission to the Treasury Board, claiming that they need the extra position?

Mr. DEUTSCH: The general practice, sir, is that if a request comes to the Board, the Board will automatically ask "What is the report of the Civil Service Commission?"

Senator QUINN: You mean the Treasury Board?

Mr. DEUTSCH: Yes, and in practice the Board will always request a report from the Civil Service Commission and will not deal with the case until there is such a report. That is, of course, on matters which come under the Civil Service Act. There are some sections of departments and some boards and commissions, and so on, that do not come under the Civil Service Act. In that case the Board deals with them finally. If it is a case where the employment comes under the Civil Service Act, the usual procedure is that a report from the Civil Service Commission is required before the Board will deal with the case.

Senator TURGEON: Am I right in assuming that the initial request to the Civil Service Commission for consideration of an additional employee comes to it from the Treasury Board and not from the minister of the department?

Mr. DEUTSCH: No, it comes from the department and goes to the Civil Service Commission. The normal procedure is for the request to go from the department to the Civil Service Commission, which examines it and reports on it to the Treasury Board. Then the Treasury Board has to give its final approval or otherwise.

Senator REID: When you speak of the Civil Service Commission in this instance do you mean the three Commissioners? When these requests come before the Civil Service Commission do the three Commissioners rule on them or is it done by another group?

Mr. DEUTSCH: If it is an ordinary request from the department for an additional servant, the initial examination will be done by a staff in the Civil Service Commission. However, before the report goes from the Commission to the Treasury Board such report is usually approved or examined by the Commissioners themselves. Obviously, the three Commissioners cannot be everywhere at once, and so they have a staff to do the initial examination. However, before the report goes to the Treasury Board it has to be approved by the Commission itself.

Senator LAMBERT: I want to ask Mr. Deutsch in connection with a point he made about the discretion of the Treasury Board being exercised to disallow recommendations from the Civil Service Commission after, I presume, officials of the Department have conferred with the Civil Service Commission, and what steps are taken at that point by the Treasury Board to notify the Department or deal with the Department affected? Do you consult the officials again?

Mr. DEUTSCH: Senator, when the Treasury Board receives the report from the Civil Service Commission it will make certain examinations of its own. In the first place it will relate that request to the general departmental program that was approved in estimates. In other words, when estimates for the Department are approved by the Board there is envisaged only approval of a certain program of activity for which money is required. The Board, in giving that approval, has certain things in mind, about what the program of that Department should be. Now, when a request like that comes in, that request will be related to the program that was approved at the time the estimates were approved. It may be that sometimes that particular proposal may be outside that program, and the Board will say, "Well, now, we did not approve anything like this as far as estimates are concerned, and therefore we do not feel that we can approve this particular request". The Board will also have in mind the general increase in staff that has taken place in that Department and say, "Well, it may be that a very good case can be made for this particular individual thing, if you like, but we are concerned about the whole scale of development here. We think the time has come perhaps to hold it down a bit, and we cannot approve this particular increase". In other words, the Board is concerned with the over-all implications of particular items in terms of increases in expenditures which they entail, and expansion of work which they entail, and the Board will have an idea in its mind that "Well, we do not envisage this particular kind of expansion".

Senator LAMBERT: I can understand you having a question mark in your mind about the adequacy of a particular recommendation.

Mr. DEUTSCH: Yes.

Senator LAMBERT: Then, to make the question still more pointed, would it be customary or would it be part of the procedure for the Treasury Board to bring directly before it some of the officials who do appear before the Commission?

Mr. DEUTSCH: No.

Senator LAMBERT: You deal with the Ministers affected?

Mr. DEUTSCH: Yes. When Treasury Board examines these things it is done by Ministers, and there are no officials present, usually, except the Secretary.

Senator LAMBERT: For additional evidence you deal with it at the top.



Mr. DEUTSCH: Yes, I should say we do this, senator: the Board will have in mind, when requests come forward for additional staff, this fact, that once you have the staff on the strength that commits you to further expenditures the next year, when the Department's proposals for next year come forward: that additional staff, of course, will appear in the money required for the estimates. So the Board has to keep in mind what is being developed in the estimates which will recur in subsequent years, and that is why, even though a recommendation may come forward from the Department endorsed by the Civil Service Commission, the Board will have in mind the effect of that additional staff on future expenditures, estimates, and so on, and even though the recommendation may be approved the Board may say, "This does not fit our ideas of what we can accept in the future in the way of estimates and expenditures".

Senator LAMBERT: From the point of view of the organization behind these things, in the first instance, when an approach is made to the Civil Service Commission for the employment of additional help in a Department is there any one official—I always assumed it would be the Deputy—who is primarily responsible for these recommendations before they go to Treasury Board?

Mr. DEUTSCH: Sir, the responsibility for every proposal before Treasury Board rests on some Minister.

Senator LAMBERT: Oh, quite.

Mr. DEUTSCH: Every proposal from a Department coming before the Board is on the recommendation of a Minister, though in some cases Ministers, for certain limited purposes, sometimes allow more or less routine matters to be submitted by their Deputies. But in theory all the recommendations coming to the Board are recommendations from a Minister.

Senator LAMBERT: I understand that officially it must have the imprimatur of the Minister. But you mentioned the fact that in the first place officials went before the Civil Service Commission to put their case to them. Now, amongst the officials who go, is there anyone who is really responsible to the Minister so that he can represent him officially? It would be the Deputy, I suppose?

Mr. DEUTSCH: I think, as far as dealing with the Civil Service Commission is concerned, the responsible person the Commission would look to for requests coming before it would be the Deputy Minister.

Senator LAMBERT: But really the responsibility in the final analysis is the Minister's?

Mr. DEUTSCH: Yes. He in turn is responsible to the Minister.

Senator TURGEON: If a Department wishes to make appointments of a temporary nature does it apply to the Civil Service Commission?

Mr. DEUTSCH: If it is the type of employment that comes under the Civil Service Act, yes.

The CHAIRMAN: As a matter of practice, when this procedure has gone to the point where the Civil Service Commission make their recommendations and are prepared to certify that the job requires to be filled, and advertises it, when the report goes to the Treasury Board, as a matter of fact do the Treasury Board vary it? They did not in my time. I know that.

Mr. DEUTSCH: They automatically accepted it?

The CHAIRMAN: They relied on the Civil Service Commission's judgment in the matter. If the Civil Service Commission certified that the position should be filled, it was more or less automatically accepted.

Mr. DEUTSCH: Well, senator, that has not been so in my experience.

The CHAIRMAN: That may vary under the new procedure you have set up, Mr. Deutsch. I was speaking of the old procedure.

Mr. DEUTSCH: The Treasury Board has the authority by law—

The CHAIRMAN: No doubt about that.

Mr. DEUTSCH: —to accept or to refuse those recommendations, and it does so from time to time.

Senator ROSS: I understood you the other day to say that if money was voted for public works, and the Minister later on felt that some other approved public work was more desirable, the vote could not be as a general rule transferred to this other public work, but I understood you to say that there were exceptions to that rule. Am I right in that?

Mr. DEUTSCH: As far as votes are concerned senator, the amounts shown in a vote may not be transferred to another vote. You can make transfers inside a vote.

Senator ROSS: What do you mean by that?

Mr. DEUTSCH: In other words—there are, I think, about six hundred votes in the blue book,—for purposes of accounting for expenditures, and to some extent for purposes of control of expenditures by the Comptroller of the Treasury, these votes are broken down into allotments. Take the total sum in a vote: that is broken down into maybe ten or fifteen parts. The parts are usually salaries, supplies, equipment, publications and so on. The vote is broken down into those categories. The amounts within those categories under a vote may be transferred from one category to the other.

The CHAIRMAN: Within a vote?

Mr. DEUTSCH: Within a vote, but you may not transfer between votes. Within the vote the suballotments are subject to transfer one between the other, with the approval of the Treasury Board, but you may not transfer from one vote to another. I should make this further statement, that in connection with a vote covering public works in the Department of Public Works, while there may be one vote for the construction of buildings, in the details in the back of the blue book there will be a breakdown given of each separate building.

Senator CONNOLLY: What is this you are looking at.

Mr. DEUTSCH: If you look at page 59 in the blue book, you have "acquisition, construction and improvements of harbour and river works". There is one vote. It shows the amounts in the vote by provinces. Although these items are all one vote, the detail is shown by provinces. The amounts may not be transferred between one province and another.

Senator CONNOLLY: But each province, as I read it, has a separate vote?

Mr. DEUTSCH: Yes, in this case each province has a vote; that is right. The details in this province are shown in the book. Take the province of Newfoundland: on page 491 the name of every individual project is shown, as you see. In carrying out this program, no project may be undertaken that is not listed in these details, although money may be transferred from one project to another within the province; but no project may be begun which is not listed in the details.

The CHAIRMAN: I think we can clear that up. Am I right in understanding this, that you have a vote, say, for a public building in Toronto, and you have a vote for a public building in Hamilton.

Mr. DEUTSCH: We have one vote for Ontario.

The CHAIRMAN: In the vote for Ontario let us suppose there is so much for a public building in Toronto and so much for a public building in Hamilton. Is it a fact that you cannot transfer any of that vote from Ontario to Quebec?

Mr. DEUTSCH: That is right. You cannot transfer between provinces.

The CHAIRMAN: But you can transfer some of what you expected to spend in Toronto to Hamilton, with the approval of the Treasury Board?

Mr. DEUTSCH: That is right. Suppose you had a list of buildings and you wanted to start one in Trenton which was not listed. That would not be permitted.

Senator TURGEON: Could the whole of an individual project be abandoned and the amount voted for that project be used in another project within the same province?

Mr. DEUTSCH: If the project is listed.

Senator TURGEON: It could be abandoned?

Mr. DEUTSCH: Yes. If they are listed you can transfer money between individual projects, but you cannot start a project that is not listed.

Senator REID: May I ask if there is such a thing as some department of government, even though it may have added expenditures from year to year, not having any more added duties placed upon it? I am thinking particularly of the Department of Veterans Affairs, where the work may gradually be lessened as pensioners, and so on, from the First World War die. What I am getting at is this. Is there any control over a department coming along and asking for more personnel, perhaps year after year, when the work of the department is not increasing?

Mr. DEUTSCH: The study made of those requests by the Civil Service Commission, and then by the Treasury Board, is designed to reduce the possibility of that sort of thing happening.

Senator REID: You are not answering the question. I am suspicious of it, you see.

Mr. DEUTSCH: Departments may feel they have additional things to do and want to do additional things, and they will suggest additional staff for the purpose.

Senator REID: And do some lobbying behind the scenes to get it.

Senator HAIG: That is human nature.

Mr. DEUTSCH: They naturally will endeavour to give all the reasons they have for supporting their requests and try to bring those requests to the attention of people who have something to do with deciding whether the appointments should be made. That is natural. The purpose of the examination by the Civil Service Commission and then by the Treasury Board, is to make sure that the personnel asked for in these requests are necessary, and that they would be doing the work which the department or the government has approved shall be done. That is the purpose of the examination by both the Civil Service Commission and the Treasury Board.

Senator BAIRD: What actually would the Civil Service Commission know about the requirements of an establishment in, say Newfoundland? What would they know about the requirements of places far away like that?

Mr. DEUTSCH: We have with us here this morning one of the representatives of the Civil Service Commission, and perhaps he should be asked such questions as these.

The CHAIRMAN: Yes, I think that question should be asked of a member of the Civil Service Commission.

Senator LAMBERT: To follow up the point Mr. Deutsch made in replying to Senator Reid, I think there is one further step. There are questions asked



in the House of Commons in relation to the estimates which might throw added light on a subject. Does the Treasury Board, in the light of that information, or whatever it may be, ever reconsider items?

Mr. DEUTSCH: Certainly. Treasury Board in examining requests from the department will have in mind all the information it can obtain, and naturally the ministers themselves, who are members of parliament and who have heard the discussions in Parliament, will have this in mind when the department's material comes up. Whatever discussions take place in the house will naturally influence their views. So far as the staff of the Treasury Board is concerned, they follow the debates on estimates very carefully. We have people who specialize in the various departments, and one of the things they themselves will follow are the debates in the House of Commons or the Senate on estimates. In this way they try to pick up attitudes on points of view and information that would be relative in considering the requests of departments. The main influence is brought to bear by the fact that the ministers themselves hear the debates and participate in them, and naturally they will have that in mind when dealing with particular projects that are put forward by departments.

Senator HAIG: I suggest we hear the Civil Service Commissioners. I do not want to criticize anybody but we had a lot of this the other day. The men who asked these questions the other day are perhaps not here today. That is why a lot of the same questions are being asked now. The only really effective way a committee like this can function is by the same senators sitting at each hearing of the committee. There is no use going over the same thing twice. Senators should not be asked to sit here and listen to the same questions answered twice by the same witness. I want to congratulate Mr. Deutsch for the way he has answered the questions that have been put to him at both our meetings, for he has given practically the same answers every time. There is no doubt that he is telling the truth.

The CHAIRMAN: We had Mr. Deutsch's evidence the other day and unfortunately some members of the committee were not present. But the proceedings of that meeting will be available as soon as the Committee Branch can get them printed. It is certainly not desirable to cover ground a second time, but it did occur to me there might be some questions arising in a general way out of the evidence Mr. Deutsch gave the other day.

Senator ISNOR: I was here the other day and followed the evidence. Mr. Deutsch gave us a very clear description of the work carried on by the Treasury Board. I would point out, however, that at that time we did not have these documents before us and had no opportunity to study them. I know that some senators have since studied these documents and wish to ask some questions on them. I have a simple question, for example, in regard to Crown companies and corporations. Do employment matters in Crown companies and corporations come under the same regulations and jurisdiction as persons employed in the federal service under the Civil Service Commission?

Mr. DEUTSCH: No, Senator Isnor. Neither the Civil Service Commission nor the Treasury Board have any functions in relation to the staff of the Crown corporations. They are authorized by their statutes to hire their own people on terms and conditions which they themselves establish.

Senator ISNOR: Mr. Chairman, I anticipated that that would be the answer I would get. That is why I asked the question. First of all, I wanted to find out why that item was included in this List No. 1. Secondly, I wanted to be able at some time in the future to point out that this should be brought

within the scope of government control in the same way as regular departments. For instance, if we look at the year 1939 we see they had 69,000 employees, whereas today they have 136,400 employees. That represents a very large increase and there is no jurisdiction in so far as expenditures are concerned by the Government, and no jurisdiction so far as the Civil Service Commission is concerned.

Senator CONNOLLY: I think the word you should use there is "control".

Senator ISNOR: Yes. Thank you.

Mr. DEUTSCH: The biggest one in there is the Canadian National Railways. The item includes the C.N.R., the T.C.A., the Polymer Company, the Eldorado Company, and a number of such Crown companies as those. Those are largely commercial enterprises which happen to be owned by the Government. In their statutes they are given authority to engage staffs on terms and conditions which they set, and we have nothing to do with the individual question of employing staff, and so on. Of course, the Government and Parliament have control over them in a general way in so far as deficits are concerned, and a number of them have to come to Parliament to get money voted to cover their deficits. On those occasions Parliament may examine their activities.

You have the case of the C.N.R. whose annual report is a matter of examination by a Parliamentary Committee. Also, an item appears in the estimates to pay the deficit on the railway. At that stage, of course, Parliament can discuss the operations of that particular company. In that sense there is control by Parliament. The carrying out of their functions and the way they carry out their duties, the staff they employ, and so on, are things which they have authority to do themselves.

Senator HAIG: Except for the fact the Government appoints the directors and controls the directors.

Mr. DEUTSCH: Yes.

Senator HAIG: And the Government can dismiss them if it wants to.

Mr. DEUTSCH: That is right.

Senator ISNOR: I wanted to pursue this point. I had a particular reason for asking that question, and the witness has certainly given a clear picture. It has helped me in regard to the next thought I have in mind. Is it the policy of the Civil Service Commission to find permanent employment for employees who find themselves out of work because the work they have been doing is no longer required to be done? I have in mind a particular case. In Nova Scotia tomorrow some 366 employees of the C.N.R. will be all through their work. They have received notice to that effect. As far as I know no provision has been made for those employees of the ferry that operates between Port Mulgrave and Hawkesbury. They are out of their jobs, notwithstanding the fact they have homes there, investments and so on. They are out of work and no provision has been made for them whatsoever. If they came within the scope of the Civil Service Commission and the control of the Government, it would be the Government's responsibility to find them employment elsewhere. I wanted to bring that out now because I intend to enlarge on it later.

Senator LAMBERT: Are they temporary employees now?

Senator ISNOR: No, permanent employees with anywhere from fifteen to thirty years' service with the C.N.R. Three hundred and sixty-six of them will be let out of work tomorrow.

The CHAIRMAN: I do not know how far it is pertinent for this committee at the moment to examine into the affairs of Crown corporations.

Senator HAIG: I do not think it is pertinent at all.

The CHAIRMAN: It is not pertinent to our inquiry at the moment, but while we are on this point I should like to ask Mr. Deutsch to give us the number of Crown corporations in existence.

Senator ISNOR: What has your question to do with this any more than mine? Mine at least has a direct bearing on our inquiry, whether Senator Haig thinks so or not. It is just a matter of opinion.

Senator HAIG: I am not trying to knock anything out. We are given a certain thing to do, but the Government has a policy in regard to Crown corporations and it is not up to us to find out whether the policy is good, bad or indifferent. At least, I do not think so. It is a political question and it can be argued in the House of Commons. We are here to get the basic facts and find out, for one thing, why the Civil Service has increased its personnel so much in the last ten years. That is what we are here to do. It is our aim to try to suggest something that will stop this increase. Mr. Deutsch has given us very valuable information, and I can now think of some machinery that can be put in motion to curtail some of this business.

Senator ISNOR: I am satisfied for the time being.

The CHAIRMAN: Senator Isnor, if we are going to explore the operations of Crown corporations I think we should reach a decision to do so, but for the purposes of this morning's hearing I think a discussion of the affairs of Crown corporations is not pertinent, and I would so rule at the moment. Are there any further questions of Mr. Deutsch resulting from the evidence he gave the other day?

Senator CONNOLLY: Am I right in assuming that the material we received the other day, including the booklet headed "Staff Strength Statistics", will be discussed in due course, and that perhaps this is not the place or time to ask detailed questions with reference to that material?

The CHAIRMAN: If I understand you correctly, I think it would be appropriate to ask your questions now.

Senator CONNOLLY: I do not want to embark on another line of thought which the committee would not think would be appropriate to ask Mr. Deutsch, but perhaps there should be some comment made on some of the items which appear to have increased between March 31st, 1954, and February 28th, 1955. Looking over that list rather casually I notice that the large items of increase appear first on page 2. The armed services have increased by approximately 4,000 personnel in that period; the naval services by approximately 2,000 personnel; the Post Office, on page 3, by some 2,000 personnel; National Revenue, on page 3, by 500; and Northern Affairs, on page 4, by approximately 300. This represents the major increases in personnel in various departments. I will assume that some of the increase in the Post Office Department arises from the introduction in that Department of the five-day, forty-hour week; but I wonder whether Mr. Deutsch can give any information about that, because my assumption may be wrong. And about the rather large increase in the personnel of the armed services and naval services. I take it also that in respect of the two services those increases are not in service personnel, they are in civilian personnel?

Mr. DEUTSCH: Senator, I think you touched on one of the reasons why there is shown a considerable increase between 1954 and 1955. One of the most general reasons which affects most Departments is the introduction of the five-day week. That has resulted in quite a considerable increase in the numbers of personnel required. I have not got the figures with me here. If the senators wish to have them I think I can make a stab at preparing a statement as to how much of this increase was due to the five-day week—



Senator CONNOLLY: I might just interject there,—I think every member of the committee would be most interested in the effect of the introduction of the short week.

Mr. DEUTSCH: I could make a stab at preparing this. I could not say that I could guarantee that it would be right to the last figure, because obviously it isn't possible to make more than an approximation, but if the senators wish I would be very glad to try to make a stab at this. I know that the increase run probably into the thousands due to the introduction of the five-day week.

Senator QUINN: Many thousands?

Mr. DEUTSCH: I don't know whether it is between two or three thousand.

Senator BAIRD: What about the coffee hour: would that result in any increase of staff?

Mr. DEUTSCH: It is not supposed to, senator. One of the factors that has resulted in the increase of staffs is the introduction of the five-day week.

Senator REID: When was it introduced?

Mr. DEUTSCH: It was introduced progressively; it has been extended gradually from one place to the other. We started off in the bigger cities. The general rule has been that the five-day week would be introduced where it was the prevailing practice; and of course the prevailing practice occurred first in the larger cities.

Senator BAIRD: In the commercial houses?

Mr. DEUTSCH: In the commercial houses; and then, as that five-day week spread in the commercial world, we followed it along; and therefore it has been introduced progressively. The general rule is that the five-day week is introduced in the Civil Service in locations where it is the prevailing practice, and where it is not the prevailing practice we have stayed on the old five-and-a-half-day week. I might say that the prevailing practice has spread very rapidly in the last year, but it first started in the big cities, and then gradually went to the smaller cities, and from one province to another. Now it is pretty wide-spread.

Senator BAIRD: And now, what do I read in the papers about a thirty-seven-and-a-half-hour week for the Civil Service?

Mr. DEUTSCH: The hours of work at the present time, as I recall, are 38.2 hours a week.

Senator ISNOR: The year round?

Mr. DEUTSCH: The year round, yes.

Senator ISNOR: They are no shorter in the summer?

Mr. DEUTSCH: Not now. At one time there was a system under which hours were reduced, after Parliament adjourned in the summer, until Labour Day. But that was discontinued, I think first of all when the Korean War began, and then with the introduction of the five-day week it was discontinued, and now the hours are the same throughout the year.

Senator BAIRD: Now they are agitating for the thirty-eight-and-a-half-hour week back again?

Mr. DEUTSCH: You are probably referring to certain representations that have been made in the press from the Civil Service Associations, that they wish to have a reduction of hours, to, I believe, thirty-seven and a half. That is what has been stated in the papers.

Senator REID: They have at least the assurance of a guaranteed wage.

Mr. DEUTSCH: To carry on with Senator Connolly's question, I think, in comparing the increase from one year to the next, particularly the last year, we have to bear in mind that this was the period in which the five-day week

came into effect in many places; and Departments like the Post Office and the National Health Department and others were very substantially affected by the introduction of the five-day week. A point which Senator Connolly has referred to particularly is the increase in the armed services. The figures shown here pertain to civilian staffs in the armed services, not service men.

Senator HAIG: They are civil servants?

Mr. DEUTSCH: They are Civil Service employees; and the armed services have been using civil servants wherever feasible, instead of service men.

Senator CONNOLLY: Might I just interrupt there. Would you comment on the wisdom of that course, or perhaps you would not feel that it is your own field?

Mr. DEUTSCH: I think I could indicate to honourable senators perhaps some of the considerations that are in mind. Generally speaking, and for some of the work the services have to do, it is more economical to use civilians than service men. The other consideration that comes in here is that the services naturally are under military discipline, and are there for military purposes and are subject to movements, to postings, as part of the course of training. They are based for a period in a particular place, and then moved to another place; and in the course of the development of their training they get moved around fairly frequently, not only from place to place but from job to job. That is part of their training as soldiers and as service men. For some of these functions it is helpful to have people continuing there, and particularly the administrative officials. People get to know the work, the rules and regulations; and if you have them moving around frequently from job to job and place to place you do not get that continuity which is certainly desirable in administrative work. For that reason it is considered desirable to use civilians wherever possible for these places where continuity is an important factor, as well as where economy is involved.

These, I think, are some of the important considerations which result in the employment of civil servants in the services.

Senator TURGEON: Are these civil servants employed in the armed services on a permanent basis?

Mr. DEUTSCH: Some of them are. Many of them are on a temporary basis. A great many of them are on the prevailing rate. Take the armed services: if you look at page 2 of the estimates you will see that, of the 22,000 employed on February 25th by the Army, about 13,000 were in the classified service; and 6,000 of them are prevailing-rate employees, people who are paid hourly prevailing rates, and they come and go as they are needed.

Senator CONNOLLY: They are not under the Public Service Superannuation Act?

Mr. DEUTSCH: They may be. There are certain regulations whereby they come in under the Superannuation Act. The general rule is if they have the equivalent of five years of service they may be designated to come under the Superannuation Act, but only after that period; whereas the classified Civil Service come under the Superannuation Act after one year.

You also see in the armed services nearly 3,700 are casuals, people who come and work for a month or two. So that a very large part of these 22,000 are not what you would call ordinary classified civil servants; they are probably rate people, or casuals.

The CHAIRMAN: Under the term "classified" you include both temporary and permanent servants?

Mr. DEUTSCH: That is right. They are classified into positions in the Civil Service by the Civil Service Commission. And I might say that all these classified people in the armed services are subject to the same procedures

regarding employment as are the people in the ordinary Departments. The Civil Service Commission does not exercise the same functions there as it does with respect to the ordinary Departments.

Senator CONNELLY: Would you care to say, in the case of the two armed services that are mentioned here, to what extent the increase in the last year is due, first, to the forty-hour week, and second, to the policy within the services of converting as far as possible in proper cases from the employment of service personnel to civilian personnel?

Mr. DEUTSCH: Senator, I have not got that information with me, but we can try to obtain it: how much of that increase was due to the five-day week, how much was due to substituting civil servants for service men. Part of the increase is due to the general extension of the services. As you know, the Departments have been building a great many new structures during the year,—new camps, new barracks, new training fields, new training grounds—and as that program has developed the number of people needed to maintain the camps and private services in the camps increases, and part of the increase is due to that. Now we are just in process of constructing a great Army training centre at Gagetown. When that gets completed, and more buildings are built, more people will be required to maintain and look after them and perform the necessary services, and the employment figures go up.

Senator CONNOLLY: Would you look for an increase in these figures for the armed services?

Mr. DEUTSCH: I think most likely there will be an increase next year, yes, for the reasons I have given. The number of camps, the number of buildings, the number of training areas is increasing; and as we carry out the program, and as these buildings and training areas get completed, people have to be employed to run them, and so on.

Senator LAMBERT: Take these 13,000 people who, perhaps, come within the purview of the Civil Service Commission. If for any justifiable reason it was found advisable to economize in connection with the number of employees in the National Defence Department, what would happen to those people who were in the classified group who have already been approved by the Civil Service Commission; would they be kept on in employment somewhere else?

Mr. DEUTSCH: Usually, when people are released, if they are in the classified service the Commission endeavours to find some other places for them. You must know that there is a fair turnover in the Civil Service. Instead of going out and getting people from outside the Service to meet the ordinary turnover, you can transfer people where there have been reductions of staff to where a turnover has taken place.

Senator QUINN: Would not that partly answer Senator Isnor's question?

Mr. DEUTSCH: Of course, that is within the control of the Canadian National Railways.

Senator QUINN: They are a Crown Corporation?

Mr. DEUTSCH: They are a Crown Corporation. I don't know what their policy is in this respect, but in any large organization there is a surprising turnover. I don't know what the figures are now in the Civil Service, but the turnover is, I think, about 16 or 17 per cent per year. Ordinarily people leave the Service either because they go to other jobs or because they retire, or die. So you have a turnover of a very substantial size.

Senator CONNOLLY: Is that figure related only to permanent civil servants or to all classes?



Mr. DEUTSCH: I think the whole Civil Service. Where reductions in staff take place the Civil Service Commission endeavours to place the personnel who have lost their jobs.

Senator CONNOLLY: Mr. Deutsch, there is just one point that I hope I am not being too direct about but there has been, I think, a feeling abroad in the country that as the armed services are developed, many jobs, sometimes entirely under the control of the armed services, are unnecessarily created. I take it from what you have said that if civilians rather than service personnel are hired under the control of the Civil Service Commission and Treasury Board, it would have the effect of reducing to a minimum the number of civilians who are employed for work in the armed forces? Is that a fair question?

Mr. DEUTSCH: I think the purpose of the procedure I have outlined is to make sure as far as possible that no increases are undertaken unless they are really necessary. That is why they have to go through the same procedure as any other department. As I said before, they try to employ civilians because, in the first place, it is more economical to employ civilians than service men. It also gives them a kind of continuity in administration that is desirable and which cannot always be obtained with service men because they have to be moved around from job to job in the course of their training. They are also able to acquire certain skills from civilians in certain areas where those skills are not available in the armed forces. For instance, industrial workers are employed at the big dock yard operated by the Navy in Halifax. The same is true of the dock yard at Esquimalt. They employ some thousands of people and, for all practical purposes, they are ordinary industrial workers and they appear in these figures.

Senator CONNOLLY: Thank you very much.

Senator HAIG: Have the number of people in the army, navy and air force anything to do with it? I understood the number of personnel in these three services was down.

Mr. DEUTSCH: You mean the number of men in the services?

Senator HAIG: I understood that on the 1st of February the numbers were down as compared to a year ago.

Mr. DEUTSCH: Certainly there has not been much of an increase. The services have not been increasing very substantially in recent months.

Senator QUINN: Under the voluntary enrolment system they find it difficult to get men. That is the answer.

Senator HAIG: The press gave the information that there has been no increase at all.

Mr. DEUTSCH: That may be so recently.

Senator HAIG: Do you have those figures in your offices?

Mr. DEUTSCH: Yes, but I have not got them with me today.

Senator HAIG: But you could give us those figures?

Mr. DEUTSCH: Yes. I would point out that there is a ceiling on the services. Each of the services has a ceiling as to service men. That ceiling at the moment is either 119,000 or 121,000. I am not just sure on that.

Senator QUINN: Has the ceiling been reached in any of the services?

Mr. DEUTSCH: It has been reached or is close to being reached in at least the army.

The CHAIRMAN: Are there any further questions of Mr. Deutsch?

Senator ISNOR: Have you any jurisdiction over the increase or decrease—and I am thinking particularly of the decrease—of personnel in the various establishments such as the Camp Hill D.V.A. hospital?

Mr. DEUTSCH: Yes, that information is available. We have information as to the staffs at D.V.A. hospitals, and so on.

Senator ISNOR: I think there was a return tabled in the House of Commons recently to the effect that there was a considerable decrease in the wages of certain employees at the Camp Hill DVA hospital, and I was wondering as to the reasons for such a decrease.

Mr. DEUTSCH: That is the Veterans Affairs hospital?

Senator ISNOR: Yes.

Mr. DEUTSCH: I would have to ask the department why such a decrease has come about. Perhaps there is not as much work to do as there was before. It may be that they have not as much work to do as they had formerly and as a result the staff is decreasing.

Senator LAMBERT: Is there any fixed percentage ratio between the number of people employed in National Defence, in all branches, with the number who are serving in the armed services? In other words, does it take a certain number of civilian employees to keep one man in uniform?

Mr. DEUTSCH: I do not think there is a fixed ratio, but there would be a relationship.

Senator LAMBERT: They used to say about the air force that it took a certain number of people in the background to keep one man in the air. There is no figure like that which you can give us?

Mr. DEUTSCH: I doubt it. The number of civil servants employed in the armed services is related to the overall size of the defence program—the number of camps, training areas, buildings, and so on. That really determines the number of civil servants required. The general size of the services themselves is a determining factor. If you increase the size of your camps, the number of your buildings and training areas you will require more people to look after them, and many of these people will be civil servants.

Senator HAIG: Mr. Chairman, I suggest that as we came here today to hear a representation from the Civil Service Commission we should do so now.

The CHAIRMAN: I wanted to give everybody an opportunity to ask Mr. Deutsch questions as a result of his evidence the other day. Are there any further questions of Mr. Deutsch at this time? Very well, thank you very much Mr. Deutsch. We will let you go now with the stipulation that we may possibly bring you back.

Gentlemen, we have with us this morning Mr. S. G. Nelson, one of the Civil Service Commissioners. I would suggest, as I did to Mr. Nelson yesterday when I asked him to come here, that he might outline for us briefly the function of the Civil Service Commission in relation to the departments, and how things follow through from an application of a department being made to the Civil Service Commission for an increase in an establishment. Arising out of that we can ask Mr. Nelson questions. If it is agreeable to the committee I would suggest that we let Mr. Nelson make his statement first, and that we jot down any points we may wish to ask him questions on later. Mr. Nelson, you have the floor.

Mr. NELSON: Gentlemen, I fear that I may be covering some of the ground already covered by Mr. Deutsch.

The CHAIRMAN: That is all right. We want it authentically from the horse's mouth.

Mr. NELSON: Before an appointment can be made the normal practice is that a requisition is received over the signature of the Deputy Minister for an appointment to a position, or over the signature of an officer who has been delegated this authority by the Deputy Minister. When that requisition is received it is examined by our officers. They check to see whether it is for an existing position which has become vacant by someone moving out, in which case, if they are satisfied that an appointment is in order, action can be immediately taken to effect an appointment. If it is a new position which has not previously been in existence, they examine the need for the post by conferring with the proper departmental officials. When they have satisfied themselves one way or another they report to the Civil Service Commissioners as to whether the position should be authorized or disallowed.

If the position is disallowed, of course, the department would be advised that in the opinion of the commission it was not regarded as necessary of establishment, and some other arrangement might be made. If it is agreed the position is justified then the matter would be referred to the Civil Service Commissioners who would approve or otherwise the report of its officers. If approval were given then a submission would be made to the Treasury Board. From that point on, as Mr. Deutsch indicated, the Board might either refuse or approve, although refusal would be the exception rather than the rule. If authority is given by the Treasury Board for a new position, the Civil Service Commission is notified and then proceeds to effect an appointment. It may be that if it were a fairly junior position we might have an existing eligible list available, but if it were a special post we would have to take steps to advertise and examine applicants. Is there anything further on that point, Mr. Chairman?

Senator BAIRD: How would you examine an application from a place which is a far distance away, say Newfoundland?

Mr. NELSON: We have a series of district offices. We have one in St. John's.

Senator QUINN: Local examiners.

Mr. NELSON: Yes. We have ten main district offices and I think five sub-offices now which cover the country from Victoria to St. John's, Newfoundland.

Senator BAIRD: Are they doing any other work?

Mr. NELSON: That is their job, to look after these matters in their area.

Senator BAIRD: Surely in a place like Newfoundland there would not be a sufficient number of federal civil servants to be looked after?

Mr. NELSON: I believe there is a staff of three at St. John's, but there are many appointments there in the Customs Office, the Unemployment Insurance Office, the Post Office, and so on. Actually it is fairly considerable. There is an added difficulty of inaccessibility there.

Senator BAIRD: You say something when you say that. The point is that when a job is filled I do not imagine there is a great deal of competition.

Mr. NELSON: It may be that our St. John's office is not as busy as some, but our general impression is that the district offices throughout the country are hard-pressed and do a job of considerable magnitude having in mind their staff facilities.

The CHAIRMAN: Can you explain to us, Mr. Nelson, the procedure that is followed in a case like this? The Labour Department, which administers unemployment insurance, requires an additional clerk, or thinks it requires an additional clerk, in Calgary. They make their request here to the Civil Service Commission for an additional clerk in Calgary. Am I correct in that?

Mr. NELSON: Yes.



The CHAIRMAN: Well, then, what function does your district office in Calgary perform in relation to that particular matter?

Mr. NELSON: Actually the district officer does not perform any real function in respect of the passing on the need for the appointment. That is handled by our head office staff. Primarily the district offices are recruiting offices; they find people to fill positions as they are authorized or as separations occur. We have in the headquarters organization an extensive staff of what are called organization and classification officers, who spend a great deal of time in the field looking over the individual audits. You mentioned the Unemployment Insurance Commission: our men have spent a great deal of time in these offices,—I think, so much so that they have pretty well laid down establishments that they think are proper in relation to the volume of business that is occurring in each of these areas.

The CHAIRMAN: In the case I cited will you ask for a report from the district officer at Calgary as to the need of a clerk?

Mr. NELSON: No, not as to the need. That would be dealt with at head office. These head office men are in the field constantly.

The CHAIRMAN: You would ask your Calgary office to make a report to you?

Mr. NELSON: Well, they would report if it were a position already authorized; they would simply ask us to fill it. If it were not a position that had been authorized, their office would have to come and clear the position before any action could be taken, and their request would be dealt with by the organization and classification branch at our head office.

The CHAIRMAN: Your Calgary office in this case would receive applications for the position?

Mr. NELSON: After the position has been passed, after indication has been given to them that an appointment is in order, they would call for applications, examine applicants, and report on the result to head office.

The CHAIRMAN: They would pass on the applications and make the report to your head office here?

Mr. NELSON: Yes.

The CHAIRMAN: And on the strength of their report you certify or not?

Mr. NELSON: That is right.

Senator HAIG: What they do—at least I think so—is this: you have an office in Winnipeg, have you not?

Mr. NELSON: Yes.

Senator HAIG: When they advertise in the press, a man or woman applies for the job, and he goes to the office. The advertisement, I take it, appears in the *Free Press* or the *Tribune*. The man applies for that position, and the officer there asks him for his qualifications and all about it, and he sends the application in with his report to the Department?

Mr. NELSON: That is right, except that they are generally assembled in groups, examination groups.

Senator HAIG: Yes. That does not guarantee that the man or woman will get the job, but all the facts about them are sent in with the report. My experience is that the local man says "Mr. Brown is a better man than Mr. Smith, in my judgment", and reasons are given. Whether it affects the Commission I don't know, but Mr. Brown generally gets the position when that report goes in. I used to be in politics. I know quite a bit about how things go in.

Mr. NELSON: Well, there are so many politicians who always reproach us that their men never get a job.

Senator HAIG: I don't complain.

Mr. NELSON: We are going to be governed to a considerable extent by the reports, but we do take the matter up at head office to satisfy ourselves that the reports are correct.

Senator CONNOLLY: Perhaps it might be helpful to the committee to mention that on the 28th of February 1955 there were 174,860 civil servants in government departments, presumably there under your supervision.

Mr. NELSON: Not that number, I don't think.

Senator CONNOLLY: Could you say how many of these are in Ottawa and how many of these are outside of Ottawa?

Mr. NELSON: I think approximately 30,000 would be Ottawa; the rest would be outside.

Senator LAMBERT: I am told by the Federal District people here that, considering the tax-paying population of Ottawa, there are nearer 40,000 here today.

Mr. NELSON: Well, that might be. We have no precise figures on that.

Senator CONNOLLY: Would it be possible to get a breakdown by provinces as to the numbers that are in each province?

Mr. NELSON: Yes, I think we can get that pretty accurately.

Senator CONNOLLY: I think that has got some relation, has it not, to the offices that you maintain across the country and the strength of these offices?

Mr. NELSON: Yes, that is very true, senator.

Senator CONNOLLY: Only 30,000. 140,000 out of 174,000 are outside. It seems that most of the people with whom you have to deal do not work in Ottawa.

Mr. NELSON: That is true.

Senator CONNOLLY: Perhaps, related to that same question, we might know what are the steps of the sequence when the offices are in the various provinces as well.

Mr. NELSON: In our cases?

Senator CONNOLLY: In your offices.

Mr. NELSON: Yes. I think perhaps I have that here, if you would like it now. Would you like them by individual offices, or in full?

Senator CONNOLLY: I think perhaps it would be more helpful to the committee if you had the two pieces of information together. There is only one other question I wanted to ask. When the Civil Service Commission has personnel requirements, who gets that?

Mr. NELSON: You mean, for additional positions? Well, our organization branch report on them.

Senator CONNOLLY: Treasury Board has the say, too?

Mr. NELSON: The Commission themselves are in pretty close touch with the situation.

Senator TURGEON: You apply to Treasury Board in that case?

Mr. NELSON: Oh, yes, in the standard fashion, yes.

Senator TURGEON: They have the same right to refuse to accept as they have in connection with any Department?

Mr. NELSON: Yes.

Senator HAIG: I bet they do not do it very often.

Mr. NELSON: Well, we have not been getting all we asked for recently, senator.

Senator LAMBERT: In the event of the appointment of employees to a Department, say the Department of Mines and Resources, in clerical positions, what control do you continue to exercise over that position over the head of that Department? In other words, if a Deputy or a superintendent of a Department says, "Here, I would prefer to use another person who is performing his duties under my direction a little more efficiently", are they free to move them around?

Mr. NELSON: They can move them around if there is no promotion or advancement involved.

Senator LAMBERT: Well, there might be.

Mr. NELSON: Well, that would have to be approved by the Civil Service Commission.

Senator TURGEON: But only if there is an advancement or promotion?

Mr. NELSON: Well, within the Department provided there is no change in allocation of work. They cannot move a man from Vancouver to Ottawa, or vice versa, without the Commission authorizing the action.

Senator LAMBERT: Basically that applies very practically, to my way of thinking anyway, to the whole question. In other words, if I am the Minister or the Deputy of a Department, and I find in my Department, especially if I have a good many employees, some more promising people than others, who should be encouraged to do their work and qualify for a better position, do you meet that situation?

Mr. NELSON: There are two ways in which that situation is met. One is by the holding of promotional competitions for positions that fall vacant at higher levels, the candidates being reported upon by the Department to the Commission, and the one who is most favourably reported upon is promoted. That is, where there is an existing position. The other way of looking after these better employees, say those who are carrying responsibilities beyond the job in which they are classified, is that the Department then makes a recommendation for the reclassification of the individuals.

Senator LAMBERT: That is what I am getting at. They do have some influence in connection with it?

Mr. NELSON: They report to us with a statement of the duties and indicate their reasons for feeling that the man's salary should be advanced. That is looked into by our people, and if a good case is made out we report to the Treasury Board, suggesting that a revision of salary be made.

Senator BAIRD: What preference does a veteran get? Where does the veteran fit in on examinations?

Mr. NELSON: The preference for the veteran is absolute, provided he passes the examination. The preference operates in the establishment of order of merit. If an examination is held, and he is among those passing the examination, the veteran goes to the top of the list, and if the veteran is handicapped and is not re-established, he goes ahead of all other veterans, provided he has passed the examination.

Senator STAMBAUGH: It doesn't matter what his marks are?

Mr. NELSON: As long as the veteran gets a pass mark he goes ahead on any examination.

Senator CONNOLLY: I know this is a matter of policy, and I only ask for information, I do not ask it for the purpose of embarrassing Mr. Nelson, and I hope it will not be a cause of embarrassment. But in practice, and looking at the efficiency of the Service, does this rule in fact work well?



Mr. NELSON: I hesitate to express an opinion Senator Connolly. I don't think that the Service has suffered materially since the preference was first set up back in 1918, because of the preference that has been allowed veterans. Actually, in the case of higher positions in the Service, the standards are set high, so that unless the veteran is fully competent he will not be qualified. It is a fact that for many junior positions a large number of veterans are appointed. I am thinking of maintenance jobs and jobs in the postal service, customs and so on. On the whole I think they do a good job.

Senator TURGEON: The preference to veterans is a statutory obligation, is it not?

Mr. NELSON: Yes.

Senator CONNOLLY: By and large you have no criticism of the rule in so far as efficiency in the service is concerned?

Mr. NELSON: No, I have not; and as years go on, of course, it becomes a decreasing consideration. The percentage of veterans who are available keeps getting lower.

Senator CONNOLLY: The rule is just as absolute for a veteran of the First War as any subsequent war?

Mr. NELSON: Yes. As a matter of fact, the preference is a bit broader for the First War than for the last war; but it is absolute in both cases.

Senator ISNOR: Mr. Nelson, a question was raised at the last hearing in regard to increases and reductions and how the Civil Service Commission is able to adjust itself to the conditions. Would you give us an outline of your procedure with respect to inspecting the elimination of certain branches which are no longer required because of conditions that have changed since the end of the war? I would like to know also how you replace these employees, and so on.

Mr. NELSON: Could you give us a specific case?

Senator ISNOR: Yes. Roughly two years ago you made a complete survey of hospitals under the Department of Veterans Affairs, and as a result of rehabilitation officers and other welfare workers having less to do certain changes were made at a considerable saving to the Government and, I might say, a certain amount of dissatisfaction to some people. Perhaps you would outline your method of arriving at decisions of this kind.

Mr. NELSON: Senator Isnor, the procedure is that an officer from our headquarters proceeds to those areas where the hospitals are located and, in conjunction with the hospital administrators or the regional administrators, looks into the situation as to the need for staff, and he suggests recommendations for reduction if it is felt the personnel is unnecessarily large. As you know, of course, there have been considerable reductions of staff in the Veterans Affairs Department in the past few years.

Senator ISNOR: Do you do the same thing where it is a question of an increase?

Mr. NELSON: Yes.

Senator ISNOR: My second point was in connection with the departmental promotions and the composition of boards. The statement is made quite frequently that they are overloaded and that the Civil Service Commission, which is expected to make unbiased and fair decisions, are outweighed by departmental officials.

Mr. NELSON: Well, Senator Isnor, the responsibility is imposed on the Commission under the Civil Service Act for effecting promotions, but we have proceeded largely on the assumption that when it comes to appraising a man who is working in a department, the department is in a better position than the Commission to make at least the initial appraisal.

Senator HAIG: Hear, hear.

Senator ISNOR: I do not dispute that.

Mr. NELSON: In order to safeguard the procedure a regulation has been established that it shall be the practice, unless it is not practical in exceptional cases, that the rating board in the department shall consist of three officers, one from the immediate unit and two others from administrative units within the same departments. This is done in an attempt to control the possibility of favouritism entering into the making of appointments in the case of promotions. This board reports to us and while we do not always accept their recommendations, generally the promotions are effected on the basis of these departmental reports.

Senator ISNOR: Is there an appeal allowed?

Mr. NELSON: That is provided for in the regulations. Any candidate who is not satisfied with the result of a promotional competition may appeal to the Civil Service Commission, in which case the Commission sets up a Review Board consisting of a departmental representative, a representative of the Commission, and a representative of the employee, who is normally a member of one of the Civil Service organizations.

Senator ISNOR: Do you have many appeals?

Mr. NELSON: A considerable number. As a matter of fact, I think the appeal procedure has a very salutary effect on the recommendations that are made in the first instance. I think a rating officer is much more careful in appraising candidates when he knows there may be an appeal from one or more dissatisfied applicants. I think it is an excellent system.

Senator ISNOR: I suppose most appeals are not upheld?

Mr. NELSON: Very few but enough to indicate it is not cut and dried and that they have to watch their "p's" and "q's".

Senator HAIG: Let us suppose a new position is being created and has been approved by the Treasury Board, and so on. Say you get forty-two applications and you have reduced them to two or three at which point you cannot quite decide. Whom do you call in then to help you decide? Let us suppose it is an engineering job. Do you call in engineers, for instance?

Mr. NELSON: In such cases we have an expert from the department, someone from the Commission who has that sort of engineering qualification, and an outside engineer or architect who will assist us in making a selection following an oral examination of those candidates who appear to best meet the requirements for the post.

Senator HAIG: Then their recommendation is sent to you?

Mr. NELSON: Yes, and we endorse it or otherwise.

Senator HAIG: And then it goes to the minister?

Mr. NELSON: In the meantime a requisition for the appointment has been made to the Commission and we merely issue a certificate covering the services of the man who has been judged to be best qualified.

The CHAIRMAN: In that case you would issue a certificate?

Mr. NELSON: Yes.

The CHAIRMAN: I want to get more information on a point which has been touched upon already. It has to do with the procedure in the departments. Let us suppose a department has half a dozen units and the Deputy Minister feels that things are a bit slack in one unit so he wants to move a stenographer from unit A to unit B. He wants to do so without having any change in salary made. Can he do that?

Mr. NELSON: Yes, it is fully competent for the Deputy Minister to make that move.

The CHAIRMAN: Supposing he wants to move a stenographer from unit A to unit B and that move entails a promotion. Can he do that without reference to the Commission?

Mr. NELSON: No. Actually, once a promotion or an increase in pay is involved it has to be passed upon by the Commission.

The CHAIRMAN: What steps do you take when such occasions arise?

Mr. NELSON: The department sends along a requisition if action is required on our part, and they indicate whether or not it is in the best interests of the service to fill this position by promoting someone within the department or whether it is best to get someone from outside.

The CHAIRMAN: In a case where an appointment is to be made which will involve promoting somebody to a higher salary, say in the case of a stenographer, the Deputy Minister surveying the situation may say, "I think this stenographer in unit A is fully competent to discharge the duties of this job in unit B that has more responsibilities." He then has to make an application to the Commission?

Mr. NELSON: That is right.

The CHAIRMAN: As to whether or not he can do this?

Mr. NELSON: Yes.

The CHAIRMAN: And the Commission may then say "Well, that is a promotion to a higher range of salary and everyone in the department, all the stenographers in the department, and even the stenographers in the service anywhere have the right to put in their application for this position".

Mr. NELSON: Yes, that is perfectly correct except that under normal conditions we would not go beyond the confines of the department if there were competent people within the department.

The CHAIRMAN: The examination would be within the department?

Mr. NELSON: Yes.

The CHAIRMAN: And in that case that stenographer might not get the job?

Mr. NELSON: She might not, although if the feeling of the department was strong that she was definitely the best qualified for it and we could not find anything in our examination to dispute that fact, she would certainly get it.

The CHAIRMAN: What I am getting at, and this is not a criticism of the Commission—this is done on the assumption that the Commission is a better judge of the qualifications for that position?

Mr. NELSON: No, I would not say that it is a better judge. It is just a matter of attempting to protect the rights of any employees in the department who feel they should have a chance of applying for that particular job. I would point out that if there is no written examination involved, as there frequently is not, there is no reason to suppose that the department's recommendation will not be honoured and the person they had in mind originally be appointed to the position. The Civil Service Act calls for competition for promotions and we like to know that everyone in the department feels that if they have a claim for that position their claim will be considered.

The CHAIRMAN: In other words, three or four other stenographers might feel they would like the job.

Mr. NELSON: Yes.

The CHAIRMAN: Your coming into the affair is simply to indicate to them that no favoritism is being shown and that their chances are as good as anyone else's?

Mr. NELSON: That is right.



The CHAIRMAN: Have you any observations to make, Mr. Nelson, as to the effect of that on good administration?

Mr. NELSON: I should not feel that the administration is unduly hampered by such action.

The CHAIRMAN: Do you think it reduces, say, the moral authority of the Deputy Minister who, after all, is really the general manager of the department? Do you think it tends to reduce his moral authority over his staff?

Mr. NELSON: It may reduce his authority a bit but I think it enhances the morale of the employees.

The CHAIRMAN: What is the practice in Great Britain, do you know?

Mr. NELSON: Certainly in connection with the higher positions the Treasury Board over there exercises great control in the matter of transferring and promoting.

The CHAIRMAN: Does the authority in the English system correspond to yours?

Mr. NELSON: I think they are more concerned with the initial appointments to the service.

The CHAIRMAN: Well, the practice pretty well is that everyone who enters the Civil Service must enter through the Civil Service door?

Mr. NELSON: Yes.

The CHAIRMAN: That is the authority which certifies as to their competence and functions, but once they are in the Service then the authority of the Civil Service Commission finishes?

Mr. NELSON: That is right.

The CHAIRMAN: That is the practice, is it not?

Mr. NELSON: In large measure that is true.

The CHAIRMAN: In the matter of promotions, then, it would be the senior officer in the Department who would have the same say. Or he might say to some of his subordinates, "Will you examine this and give me a report on it?" Do you think that method would give a little more flexibility in the Service?

Mr. NELSON: Oh, I will admit it would be more flexible, but I do not think that it would be—

The CHAIRMAN: —more efficient?

Mr. NELSON: Well, I am not going to comment on that point either, but my very strong feeling is that it would not be nearly as acceptable to the staffs and the associations that are represented.

The CHAIRMAN: As a matter of fact, whether it is acceptable or not is pretty much a matter of the practice that has obtained, is it not?

Mr. NELSON: Oh, that is perfectly true.

The CHAIRMAN: Once you get people accustomed to this practice, a departure from it would upset them a little bit. But if they had been accustomed to that practice it would pass unnoticed, as it does in corporations.

Mr. NELSON: As a matter of fact, of course the actual selections for promotions in ninety-nine cases out of a hundred conform to recommendations made by the Departments.

The CHAIRMAN: Ninety-nine cases out of a hundred?

Mr. NELSON: I would say at least that. Their recommendations are honoured; and it might seem as though a Deputy with some authority could say "You move in here" and that is the end of it. But I think there are other angles to it.

Senator BAIRD: How long has the Civil Service Commission been in vogue?

Mr. NELSON: Oh, for a great many years; but under the present Act, since 1918, after the first war.

Senator BAIRD: Well, before that you had a pretty chaotic condition?

Mr. NELSON: Well, they had a Board of Examiners—two Civil Service Commissioners. At that time they were concerned only with the inside service at Ottawa here.

Senator ISNOR: What tie-up, if any, is there between the Civil Service Commission and the National Employment Service?

Mr. NELSON: Well, none, actually. We appreciate their co-operation on occasion.

Senator ISNOR: What co-operation is there between the two?

Mr. NELSON: Well, for instance, if in a certain locality we cannot find enough clerks, if our advertising does not produce enough, or we do not get enough stenographers, we would see what the Unemployment Insurance Commission has on their lists.

Senator ISNOR: You are only doing that when you advertise and find the situation as you describe it. Why do you not reverse the order?

Mr. NELSON: Because under our Act we are required to hold competitions. Appointments must be on a competitive basis as far as appointments to the Service are concerned.

Senator ISNOR: You have heard me make inquiries concerning Crown Companies?

Mr. NELSON: Yes.

Senator ISNOR: Did you ever make a comparison with the scales and records of salaries for various classifications?

Mr. NELSON: Well, I have seen something on some of the lower salaries. I am not familiar with the same thing on the higher levels at all.

Senator ISNOR: Well, take the clerical.

Mr. NELSON: In some cases they are a little above, in some cases they are a little below Civil Service salaries, but I do not think they are very much out of line. They cover the same scales.

Senator ISNOR: My information is altogether different. My information is that the Crown Companies and the Railways are attracting a large number of employees who leave the Civil Service to accept positions with these companies because of the increased salaries for the same type of work. What have you to say as to that?

Mr. NELSON: I have not too much experience. I remember a year or two ago making some inquiries of the Central Housing and Mortgage, and certainly at that time their salaries were a little lower, if anything. What they are at the moment I don't know, but I am advised that within this area—the Ottawa area, certainly—they are pretty much in line.

Senator ISNOR: I think it is causing considerable dissatisfaction because of that, and it should not exist. That is one more reason I feel that organizations such as Central Housing and Mortgage Corporation should come within the scope of the Civil Service Commission. They do for superannuation. Would you make a comment on it?

Mr. NELSON: It is a very large problem, Senator Isnor. The numbers involved, in the first place, are so great that I think perhaps that sort of thing has to be left to the management of the corporation concerned.

Senator GOLDING: In the case of employees going into Crown Companies, they have not got any assurance of permanent employment such as they have if they enter the Civil Service, have they? They do not come under the Civil Service regulations and that sort of thing?

Mr. NELSON: No, not the usual Civil Service regulations, but I think in general they have a pension plan and that sort of thing, in large part comparable to the Civil Service plan.

Senator ISNOR: They have been brought under superannuation benefits by Act of Parliament. Just a short time ago twenty-three employees of the Cenral Mortgage and Housing Corporation were, by bill, brought in the scope of the superannuation. That is a fact, as you know.

Mr. NELSON: I think it is their own plan, Senator Isnor. I do not think they come under the Civil Service Superannuation Act.

Senator CONNOLLY: Just one or two things I want to ask, and they are not direct questions. I wonder, Mr. Nelson, when you set up these figures for civil servants in the various provinces it would show a breakdown by sex, so many men, so many women.

Mr. NELSON: Not for the whole Civil Service. I am thinking of our own staff. I do not think a breakdown is available.

Senator CONNOLLY: You do not know how many women are in the Service as against men?

Mr. NELSON: We know approximately, but not on the basis of provinces.

Senator CONNOLLY: Well, whatever you can get along that line might be helpful to the committee. There was one other thing I wanted to say. I think I would be interested in hearing Mr. Nelson's view, on another occasion perhaps, on the question of retirement from the Civil Service and what the rules are, and what the numbers are that are involved; and I also wondered whether there was anything to be said about the operations of the Commission in relation to the various Civil Service Associations, employees' associations that they have functioning here. But I do not think it is something we can discuss today.

The CHAIRMAN: It is almost one o'clock. Mr. Nelson will be glad to come before us again. I have a few questions also. I think we can thank Mr. Nelson and his associate here, and adjourn.



## THE SENATE

### STANDING COMMITTEE ON FINANCE

Ottawa, Tuesday, May 17, 1955.

### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1956, met this day at 11.00 a.m.

Senator CRERAR in the Chair.

The CHAIRMAN: Gentlemen, will you please come to order. We have with us again today Mr. S. G. Nelson, one of the Commissioners of the Civil Service Commission. Mr. Nelson, have you anything further to add to what you said last Friday?

Mr. NELSON: I would be glad to speak further on any points you or the committee members wish. Perhaps that would be better than for me to continue talking.

The CHAIRMAN: Very good. We are open for questions.

Senator LAMBERT: May I ask the witness a blank question right at once. How far is the changed schedule of working hours in the Government Service responsible for increased staffs throughout the various departments, particularly in the Department of National Defence? Have you any views on that at all?

Mr. NELSON: I think I can recall that Mr. Deutsch was to furnish some figures as to the increase incidental to the forty-hour week. We should remember, of course, that the forty-hour week has only been in effect in a general way for about a year now, so that it could only reflect a change during the past year at the most.

Senator LAMBERT: Well, according to our Chairman, an increase of some 9,000 personnel has occurred during the past year.

Senator GOLDING: That was only in one department.

The CHAIRMAN: I was going to ask Mr. Nelson a question about this. The reduction of the forty-hour week would have no bearing on the increase between March 31, 1953, and March 31, 1954?

Mr. NELSON: No.

The CHAIRMAN: And that increase was over 6,000.

Mr. NELSON: Yes.

The CHAIRMAN: Can you throw any light upon that?

Mr. NELSON: Was not a considerable part of that increase in the Department of National Defence?

The CHAIRMAN: I can give you that from Table 2 of "Staff Strength Statistics", prepared for the Senate Finance Committee. Under "Administration", of National Defence, from March 31, 1953 to March 31, 1954, the increase was about 475.

Mr. NELSON: Yes.

The CHAIRMAN: Under "Army Services", the increase was roughly 600. "Naval Services", about 140, "Air Services", roughly 1800. That is 3,000, but that is just half the increase that took place.

Mr. NELSON: Yes. Then of course there were increases in the Post Office Department, and as I recall, a very substantial increase; and an increase in National Revenue, too.

Senator CONNOLLY: About 500 in the Post Office Department for the same period.

Senator ISNOR: Would it not be as well to take the latest date, in order to get the true picture?

The CHAIRMAN: This appears to have been pretty general over all departments. This was in the year before the 40-hour week was reduced. Have you any general opinion on that, Mr. Nelson?

Mr. NELSON: There have, of course, been increases in certain departments because of specific projects. For instance, in the Department of National Health and Welfare there was some expansion in old age security. I would think, though, in general, that the increases are related to the expanding economy.

The CHAIRMAN: Well, in Health and Welfare, departmental administration went up. The health branch went up about 16. The welfare branch was reduced. Indian Health Services were reduced slightly. So that I would say that from now—

Mr. NELSON: There is no general increase there.

The CHAIRMAN: No. Health and Welfare did pretty well that year.

Mr. NELSON: Apart from that figure in National Defence, the increases are relatively small, but in total they add up to 300 or 400 here, and there and so on.

The CHAIRMAN: But you cannot offer an opinion or suggestion as to why the increases in these departments continue?

Senator HAIG: The price of wheat did not go up.

The CHAIRMAN: No, it did not. Order please. We are going to have one questioner at a time. Senator Barbour has the floor.

Senator BARBOUR: Was there any reduction in the Post Office staff during that period? I know there was quite a reduction in the number of mail deliveries. In Charlottetown formerly we had two deliveries a day and about two or three years ago the number was changed to one a day, and I think that was pretty general in a good many places throughout Canada.

Senator HAIG: That reduction in deliveries applied all over Canada.

Senator BARBOUR: I should think because of that there would have been some reduction in the staff of the Post Office Department.

The CHAIRMAN: Mr. Nelson, have you the figures for the Post Office Department? I see from these figures that the total classified employees of the Post Office Department went up from 19,298 to 19,789, that is about an increase of 500 in that year.

I suppose it is like Topsy in Uncle Tom's Cabin, it "just grew".

Senator LAMBERT: It is not just quite that way.

Senator TURGEON: What period was covered by that change of 500 in the Post Office Department?

The CHAIRMAN: That occurred during the period we are talking about, from March 31, 1953 to March 31, 1954, a period in which the reduced working hours did not apply.

Senator ASELTINE: That is the time when the postage rates went up.

The CHAIRMAN: I think, then, if Mr. Nelson is unable to throw any more light on that question, and I appreciate that, perhaps we might have some other questions.

Mr. NELSON: You were speaking about procedure. I might add that all requests for additional positions are carefully considered by officers of the department making the request along with representatives of our Organization and Classification Division, and when an increase in staff is allowed it means a case has been put up that is acceptable to our office.

Senator LAMBERT: The initiation of those requests, of course, is in the department.

Mr. NELSON: Yes.

Senator GOLDING: What do you mean by the 40-hour week? They are working 40 hours at the present time.

Mr. NELSON: In the Post Office they are.

Senator GOLDING: But in general?

Mr. NELSON: No, the Clerical Staffs and the Administrative Staffs generally speaking are working 38.2 hours over the year, but the Operating Services are, generally speaking, on a 40-hour week.

Senator ROSS: 38.2 what?

Mr. NELSON: 38.2 hours per week.

Senator HAWKINS: How long has that been the order of the day?

Mr. NELSON: That has been in effect since the Korean War when the hours were enlarged from 37½ to this 38.2.

Senator BURCHILL: When a department has agreed to a change in personnel, does the Civil Service Commission have any power to reject and do they reject sometimes, and reduce the numbers?

Mr. NELSON: Yes, they reduce the numbers, and on occasion they reduce the proposed classification of the job, that is they authorize a lower salary, and in some cases they refuse to make any recommendation at all.

The CHAIRMAN: How have you found it in your own organization, Mr. Nelson, the Civil Service Commission. I see in the figures before me that on March 31, 1953 the Civil Service Commission had 578 reporting, whereas on March 31, 1954 they had 570. That was a reduction of 8 in your own establishment.

Mr. NELSON: That is right.

The CHAIRMAN: Then from March 31, 1954, to February 28, 1955, it is increased by 28.

Mr. NELSON: Yes.

The CHAIRMAN: Would you say that was due to the shorter work week?

Mr. NELSON: No, because actually there has been no shortening of hours; the staff is working the same hours, but is working it in a five-day week rather than a five and a half day week. The members of the staff do not work Saturdays, but they work the same number of hours. The reduction applies to the operating staffs which previously were working forty-four hours and are now reduced to forty hours. That is really where the increased expenditure comes in.

The CHAIRMAN: Would you define "operating staffs".



Mr. NELSON: For instance, the Post Office, postal clerks and letter carriers and the custom ports staffs. Those are the big ones.

Senator CONNOLLY: Did I understand you to say, Mr. Nelson, that the forty-hour week when it was introduced did not, in effect, actually reduce the number of working hours that the great number of civil servants had been working prior to the introduction of that plan?

Mr. NELSON: That is correct.

Senator CONNOLLY: Could you bring to the committee some prepared material to show what happened across the board in the civil service when the forty-hour week was introduced?

Mr. NELSON: Yes.

Senator CONNOLLY: I think we have all been under the impression that the introduction of the forty-hour week so-called in effect reduced the number of working hours across the board of the civil service. You say that is not the case.

Mr. NELSON: Not the case.

Senator CONNOLLY: Then could you bring us some material in order to show every member of the committee what exactly happened?

Mr. NELSON: Yes, we could do that, Senator Connolly.

Senator HAIG: That would substantiate just what you told us a little while ago.

Mr. NELSON: Yes.

Senator CONNOLLY: May I go on—and these questions, Mr. Chairman, may be rather disjointed, but since Mr. Nelson is here I should perhaps ask them. The other day I asked you for some information in connection with the distribution of civil servants by provinces.

Mr. NELSON: Yes.

Senator CONNOLLY: And also the number of people in your various offices across the country. You were kind enough to send that information to me personally by letter. Really, what I was asking for was a circular so that each member of the committee would have the information available to him. Would you have any objection to doing that?

Mr. NELSON: No.

Senator LAMBERT: Why not place the letter on the record?

Senator CONNOLLY: Would you like to use the letter, or the memorandum, that you enclosed with your reply, in order to tell the committee what the situation is?

Mr. NELSON: Yes.

The CHAIRMAN: For the information of the committee, perhaps you would read that letter formally into the record?

Mr. NELSON: This is a breakdown of the civil servant population by provinces.

Senator CONNOLLY: For what year?

Mr. NELSON: As of the 1st April, 1954. It also includes a statement of the number of employees in the district offices of the Commission in these areas.

<i>Provinces</i>	<i>Employees</i>	<i>In District Offices of Commission</i>
Newfoundland .....	2,197	3, St. John's
New Brunswick.....	4,263	4, St. John
Nova Scotia.....	6,388}	10, at Halifax, serving both
Prince Edward Island.....	679}	provinces
Quebec .....	21,349	26, Montreal and Quebec City
Ontario .....	61,302	33, Toronto Office and London
		Sub-office.
		Including headquarters at
		Ottawa.
Manitoba .....	6,333	10, Winnipeg
Saskatchewan .....	3,958	6, Regina and Saskatoon
Alberta .....	6,763}	15, Edmonton office serves both
Northwest Territories.....	666}	province and Territories.
British Columbia .....	11,725	18, Vancouver and Victoria
	<hr/>	<hr/>
	125,623	125

Senator TURGEON: Is the Yukon included in what you said for the North-west Territories?

Mr. NELSON: It would be, yes.

The CHAIRMAN: There is here a point which perhaps it would be good for you to clear up. That total is at the 1st of April, 1954?

Mr. NELSON: That is right.

The CHAIRMAN: These figures that Mr. Deutsch gave us at March 31, 1954—that is, practically April 1, 1954—were 165,454. I think I know where the explanation is, but we want to get it. What is the difference between your figure here and 165,000?

Mr. NELSON: These figures represent classified civil servants under certificate from the Civil Service Commission.

Senator CONNOLLY: Who are excluded?

Senator LAMBERT: The senior civil servants?

Mr. NELSON: In the main they would be employees of Crown companies.

Senator CONNOLLY: No, no; they are excluded here, Mr. Nelson; I am sorry.

Mr. NELSON: Crown companies are not included in these figures.

Senator EULER: Perhaps the number in the branch offices, added to the head office employees, would make that up.

Senator CONNOLLY: Could I help in this? Would that include casual employees?

Mr. NELSON: Yes.

Senator CONNOLLY: And hourly-paid employees?

Mr. NELSON: Prevailing rate employees.

Senator CONNOLLY: And the like.

Mr. NELSON: Yes.

Senator CONNOLLY: And then would the answer to Senator Crerar's question be that the difference is in these people like hourly-paid employees, casual employees and the like, who are not certified by you?

Mr. NELSON: That is right. That is the distinction.

Senator CONNOLLY: That accounts for the difference?

Mr. NELSON: Yes.

Senator LAMBERT: That does not cover the whole thing, by a long way.

Senator CONNOLLY: Let us get it from the witness.

Senator LAMBERT: There is a point arises in my mind on so-called senior civil servants. The line between the area now covered by the Civil Service Commission is delimited by a very marked demarcation between the upper or senior Civil Service ranks and others.

Senator CONNOLLY: I think, Mr. Chairman, perhaps we had better have that on record. The figures that you have given to Senator Crerar are 125,623. Now you have excluded from that category the hourly-paid employees and that type of person?

Mr. NELSON: Yes.

Senator CONNOLLY: Now you have heard what Senator Lambert said. Does it also exclude certain higher civil servants; and what higher civil servants?

Mr. NELSON: Well, I think this would be all-inclusive. The Deputy Ministers may not be included, but everyone else who is under Civil Service certificate, all these others, would be included.

Senator CONNOLLY: So in the higher brackets it only excludes the Deputy Ministers.

Mr. NELSON: Yes. And of course anyone appointed under statutory authority.

Senator LAMBERT: There are certain special commissioners and deputies whose numbers, I suppose, since that classification was pretty well established from the salary point of view, have increased.

Mr. NELSON: That is right.

Senator LAMBERT: Now, then, I would like to know how many there are because they are doing a good deal towards running this country.

Senator CONNOLLY: Could we have a breakdown on that?

Senator LAMBERT: I do not think Mr. Nelson should be asked to define that category at all, but it is information we should get later.

Senator CONNOLLY: Perhaps we could ask Mr. Nelson from whom we could get it if he cannot give it.

Senator HAIG: Mr. Deutsch can give it.

The CHAIRMAN: I think this gap is due to the causes already mentioned. For instance, just as an illustration, we have a large number of char staff around the buildings here, not only these Parliament Buildings but all the government offices in Ottawa. They are not included in your figures.

Mr. NELSON: No.

The CHAIRMAN: Yet they draw steady wages, shall I say. That applies all over Canada and all the Dominion Government offices where they have char service, and I think it is even true of almost every post office in a country village. I think they all have some sort of a char service.

Mr. NELSON: I should point out that in the smaller centres the appointees are called caretakers and they come under certificate, and in the large centres they have cleaning women who, of course, are not included. In looking through the record I notice in almost every department there is a considerable number of prevailing rate employees. In National Defence there must be ten or fifteen thousand. That is just one department, and they are not included in this figure of 125,000.

Senator EULER: Do you include in your figures the number of temporary civil servants?



Mr. NELSON: If they are under certificate. If they are appointed by us they are included.

The CHAIRMAN: Are there any temporary employees not appointed by you?

Mr. NELSON: Not within the service proper.

The CHAIRMAN: Not within the administrative service.

Mr. NELSON: No.

Senator BARBOUR: We have learned that there has been a considerable increase in the staffs of the Civil Service. The point is whether that increase has been necessary. If it has been necessary that is one thing. I would like to ask Mr. Nelson, if it is a fair question, if in his opinion the different departments are overstaffed with civil servants?

Senator HAIG: He will say no. He passed these things.

Senator BARBOUR: You need not answer if you do not wish to.

Mr. NELSON: Within my personal knowledge I do not know. I might feel one way or another but I have nothing on which to base a statement except to reiterate that requests for increases in the number of employees are vetted by our staff. This is done in a very thorough manner. They go into these matters very carefully everytime a request for an additional position comes in.

Senator CONNOLLY: Could you prepare for the committee a memorandum accounting for the difference between the figures given on the 31st March, 1954, by the Treasury Board, and the figures you have just given us, not only covering the lower branches of the service which you do not appoint but also the higher branches of the service which you do not appoint?

Mr. NELSON: We would not have the figures on some of these people. For instance, the National Research Council is completely outside the jurisdiction of the Commission and yet it is shown there.

The CHAIRMAN: I have a suggestion to make to the committee. I am sure it would be useful if Mr. Nelson could prepare—and I have no doubt that it would be a simple matter—a list of what the classified servants were in 1939 as a base year; that is, all the servants that you looked after in 1939 and also for the years 1945, 1948, 1951, 1952, 1953, 1954, and at the 31st of March, 1955, if that information is available.

Mr. NELSON: Yes, we will get that.

The CHAIRMAN: That would be useful. Those are the ones under the authority of the Civil Service Commission. We have not got that data here because it is combined with casuals, cleaning staff, and all that sort of thing. Once we get that it is a simple matter for the Treasury Board to give us the figures for those years for the service that is outside the control or jurisdiction of the Civil Service Commission. The Treasury Board has that information and the Civil Service Commission has not got it. It would be a simple matter for Treasury Board to give us that data so that we could have a little further analysis of what the position is.

We could get it by going through those figures, the casuals and others, year by year, and adding them up. But, after all, they have adding machines in the Treasury Board and they can do it with greater facility than any member of this committee can. If it is agreeable with the committee I would ask Mr. Nelson now to prepare a simple statement across a sheet of paper of what his totals under the jurisdiction of the Commission were in 1939 as a base year, and then in the other years I have mentioned. If you want to be certain you have the right years, they are March 31, 1939, and the same for 1945, 1948, 1951, 1952, 1953, 1954 and 1955. I will ask Mr. Deutsch today to prepare a similar

statement for all the others the Treasury Board have knowledge of, but which Mr. Nelson's Commission has not knowledge of. Is it agreeable to get this information?

Senator GOLDING: What do you hope to gain by going back to 1939?

The CHAIRMAN: Oh, well, the only thing we hope to gain is that most business concerns do that. I think it is important. That was the year before all this terrific disturbance in the world took place.

Senator GOLDING: That is fine. At the same time, if you want to see a true picture at all, you want to have one showing the increased activities in the business and income of the country.

The CHAIRMAN: We have that.

Senator GOLDING: I mean, salaries and everything, including increases in wages. This year 1939 has gone by the boards.

The CHAIRMAN: That brings up a fairly interesting point. For instance, unquestionably between 1939 and 1954 there was a substantial inflation in our whole economy. Our dollar purchasing power is about half of what it was in 1939, but does it necessarily follow that because our dollar becomes less valuable that you must employ more civil servants?

Senator GOLDING: I would think, Mr. Chairman, you would have to keep in mind the business activity of your country. Because if you are going to do five times the business now that you did in 1939, no matter what that business might be there would have to be an increase in manpower or womanpower, and that would affect the gross national product.

The CHAIRMAN: Those are matters that we can explore.

Mr. NELSON: That is right.

The CHAIRMAN: But take a business that produced, say, \$50 million worth of business in 1939, and which by 1954 had increased to \$200 million, that would not necessarily mean a corresponding increase in the labour force which produced the goods represented by that value, because half the value comes through inflation.

Senator WOODROW: Mr. Chairman, is there any measuring stick in the various departments to show the volume which passes through, if a department should come along and say, "We need 200 men"? What is the basis of that request? In business you give the volume of business done and the capacity of the department to do it, and then you figure out if it would be justified to increase the number of the staff. If the increase is relative to the volume of business, then it is justified, but if not it is not justified.

Mr. NELSON: Well, in certain departments we can and do take account of the increase in business. An example familiar to all members of the committee is the Post Office Department, where expansion in building construction requires additional letter carriers, and the additional number required can be arrived at very definitely.

Senator WOODROW: When you want 15 more members on the staff, upon what do you base that request? Is the basis of the request simply that the department asks for that additional staff? You have to have something to base the request upon, not just the general terms of the economy of the country.

Mr. NELSON: No, generally speaking we do not get increases of that nature in one lump request—it is one here, and one there, and one some place else.

Senator WOODROW: Five hundred here, and a 1,000 here?

Mr. NELSON: It is a more gradual process than that, it will be an employee to this division, and one or two in another, and the total builds up.

Senator WOODROW: That is true. But take a business in which the economy is increasing in certain departments, and others are decreasing—they do not share in that increase, and yet the over-all picture is good. Now, the departments that are not increasing as related to the departments where the volume of work is increasing are surely in a different category. Have you anything by which to judge that, or do you judge it in just a general way?

Mr. NELSON: Well, over the past few years the Commission has been operating what has been called a system of "unit surveys" under which members of our organization branch visit departments, interview the employees, observe the volume of work, and that sort of thing.

Senator WOODROW: When you say "observe", do you mean observe by means of a record, or by the use of their eyes?

Mr. NELSON: Oh, both; and in the light of the information gathered in this way they are in a position to query requests for additional employees. In some sections they might be satisfied that the staff is extremely busy and needs help, and that other sections are without such need. But we do have a great deal of information of that kind.

Senator WOODROW: My other point is this, that the department might require an increase of 50 or 100 men, and then the work of that department might recede in a year's time. Do you ever take account of the employees relative to the volume? Mind you, I am just asking for information.

Mr. NELSON: I understand. When we see a situation existing under which we think there is an over-supply of employees we naturally bring such matters to the attention of the deputy minister concerned.

Senator WOODROW: You have control of that?

Mr. NELSON: Yes. We could recommend abolition of a certain post, but generally speaking we attempt to seek the co-operation of the administrative head of the department to effect reductions, and as you know over the past few years there has been a considerable reduction in the personnel of the Department of Veterans Affairs, for instance, which has gone down 5,000 or 6,000 employees. But I would like to impress upon the committee the fact that we do not simply get a request from a department for five employees and say, "You can have five." The requests are scrutinized very carefully.

Senator CONNOLLY: Mr. Chairman, I do not want to monopolize the time of the committee.

The CHAIRMAN: You will not be doing that.

Senator CONNOLLY: But I would like to get on to another point with Mr. Nelson, if Senator Woodrow has finished with his point. I noticed in the grey book supplied to us by the Treasury Board that within the establishment of practically every department there is a section called the personnel section. Now, I take it, Mr. Nelson, that each of those establishments within each department has been approved by the Civil Service Commission as an appropriate establishment? Could you supply the committee with some information as to the size of the personnel section in each one of the departments of government?

Mr. NELSON: That could be secured, Senator Connolly. It would take a little time, perhaps, but we could certainly make the compilation.

Senator CONNOLLY: Would you say what the duties of the personnel sections in these departments are?

Senator LAMBERT: Do you mean how many there are?

Senator CONNOLLY: I have asked about numbers, and I am now asking about duties and functions, and perhaps in relation to the work of the people who work in the Civil Service Commission.



Mr. NELSON: The personnel divisions have, I think, two different types of function. One is the maintenance of records pertaining to employees, their leave, absences, and so on, and the ascertaining of the correct rate of pay in connection with the rate of pay of prevailing rate employees, which is a very large part of their function, in some cases. Apart from these more or less routine types of action they are in large measure concerned in the appraisal of the qualifications of the staff of the department and their qualifications for promotion—that sort of thing. That is truer of some departments than others, but it is a growing part of their work, the appraisal of employees and the development of a career system in the department for the advancement of employees.

Senator WOODROW: Are those reports made annually?

Mr. NELSON: Well, actually, Senator, they are not made by the Commission, so I would not know what the procedure within the department is, but they are required to see that employees are appraised annually.

Senator CONNOLLY: I wanted to pursue this, Mr. Chairman, because I think it may be of interest to the members of the committee.

Senator LAMBERT: Excuse me, but with regard to this question that Senator Connolly has asked about personnel, I have gone through these estimates where the personnel bases are established, and there is a figure to show what the expenses are in connection with that department. Now then as to those functions, I have the impression, as you say, this applies to some departments more than to others but they have a very definite influence in connection with the recruitment of new staff, that is, the selection of new staff.

Mr. NELSON: Well, not in connection with selection so much, although they may assist in that on occasion, but certainly the requests for additional staff in general emanate from the personnel officers.

Senator LAMBERT: Of course, that is putting it in its proper way all right, but I would mention particularly the Department of External Affairs. I think the Personnel Department there is a very vital factor in connection with the recruitment of new members for that department.

Mr. NELSON: Well, they certainly carry on very closely in co-operation with the Commission in such matters.

The CHAIRMAN: Are there any more questions gentlemen?

Senator CONNOLLY: Can Mr. Nelson talk about the relationships between personnel people in the various departments with the officers in the Civil Service Commission—the inter-relationships?

Mr. NELSON: Well, of course in connection with the housekeeping functions, discipline, attendance and that sort of thing, they are on their own. It is in connection with recruitment of personnel and such matters as procedures that should be followed in rating employees, in arriving at an appraisal and the calibre of their several employees, that they come to the Commission for advice and assistance. They of course operate very closely with us in connection with the matter of securing additional employees.

Senator CONNOLLY: Is there any extensive duplication of work?

Mr. NELSON: No sir, I would not think there is any.

Senator CONNOLLY: Have these departments personnel officers outside of Ottawa?

Mr. NELSON: Yes, a few of them have. It is a growing tendency. National Revenue, the Customs and Excise Branch in particular, the Income Tax Branch also, have appointed district personnel officers. Post Office has moved in that direction and also Citizenship and Immigration.

Senator CONNOLLY: Could you give us some information as to the number of personnel officers in the various departments by provinces.

Mr. NELSON: We could secure that information. The number at the present time would be small.

Senator CONNOLLY: But the tendency is, you say, to have personnel officers in various parts of the country in addition to your officers in various parts of the country, for the purpose of securing personnel and looking after staff problems.

Mr. NELSON: Well, more looking after staff problems. The Civil Service Commission is still responsible for securing personnel.

Senator CONNOLLY: You are the recruiting agency?

Mr. NELSON: That is right. Of course I suppose I should say that no matter how small the unit throughout the country, they have an officer in charge of such personnel work as is necessary. There is always the matter of attendance and that sort of thing to be looked after, so it would be rather difficult to secure a compilation of the exact number of people who are engaged in personnel work.

Senator CONNOLLY: Because they do other things besides is that it?

Mr. NELSON: Yes.

Senator CONNOLLY: Perhaps that explains why in this grey book of organization charts of the various departments in some cases reference is made to these people as personnel officers and in other cases they are called administrative officers. Would that mean they might have wider functions?

Mr. NELSON: Yes, the difference in description might be due to a difference in a part of their functions.

Senator ISNOR: Mr. Chairman, I want to make an observation or two in regard to your suggestion about going back to 1939. It seems to me we are wasting time in going back to 1939 and comparing staff increases year by year from those early years with present day requirements.

You referred to business. Well, we certainly do not do that any more in business, at least not in any large business, and I do not think any of the smaller firms do either. We might go back to 1945 because of the very large volume of business that was done due to war requirements and that sort of thing.

Another point, I do not think it will help us to any large extent in so far as office and clerical help is concerned. There are in existence today office machines in the number of their employees and from the dollars and cents point of view, up to 12 employees. One machine will take the place of a large number of employees. So I do not think we are getting any helpful information by such comparisons.

I am just passing that along to you Mr. Chairman to consider with your steering committee.

What I want to do is to deal directly with the Civil Service Commission in the number of their employees and from the dollar and cents point of view, and I am not going to go back to 1945, I am just going back to last year so that Mr. Nelson will not have to think very far back.

The total salaries and wages estimated by the Civil Service Commission for the period 1954-55 amounted to \$1,965,179. For the current fiscal year, that is for the year ending March 31st 1956 the estimate of total salaries and wages to be paid amounts to \$2,239,535. That is an increase of \$274,365. That is the increase in dollars and cents, and that is the increase in one year. I am bringing this right down to a period of one year and in one department alone. Perhaps Mr. Nelson could give us the reason for the increase. The increase is a large one, over a quarter of a million dollars.

Now I am going to refer to the number of employees. I mentioned a moment ago and I certainly say again that the department is a very very efficient organization and does a lot of paper work and uses a lot of machines, I understand. Well, if so, I am just wondering as to why the Civil Service Commission needs an increase of staff from 574 employees in the last fiscal year to 621 employees in the present year. That is an increase of 47 employees in your own department alone. That is equivalent to a  $7\frac{1}{2}$  per cent to an 8 per cent increase.

Mr. Chairman, I believe that if we stay with one department and get the correct answer we might gradually find out what is wrong—if there is anything wrong—or if there is a need for an increase which we see all along the line, representing anywhere increases in staff from 6 per cent to 12 per cent, as I figure it.

Perhaps Mr. Nelson will give us that information.

Mr. NELSON: There are a number of specific matters that require additional staff. One is related to this matter of the setting up of establishments this year. In order to maintain the records that evolved from that work we had to employ seven additional people.

Senator ROSS: I did not follow the last part of your explanation.

Mr. NELSON: The work that Mr. Deutsch spoke of, establishment control procedure and the review of establishments each year, necessitates the keeping of records and we required an additional seven clerks for that purpose. A further specific requirement was for additional help in what is called our Organization and Methods Division. This is an advisory service that is offered to departments who wish to have studies made with a view to improving the efficiency of their work and in carrying out their operations most effectively.

Senator CONNOLLY: Who do you do that with, the personnel of each department?

Mr. NELSON: This work requires the type of individual who is somewhat similar to a management consultant, business engineers and that sort of thing, who must be trained in such work in order to operate effectively. As I recall, the additional number appointed to that service was eleven or twelve.

Senator ISNOR: That is eleven or twelve of the total of 47?

Mr. NELSON: Since last year.

Senator ISNOR: Will you give us the breakdown of that 47?

Mr. NELSON: Well, seven on the establishment and control and eleven in organization and methods, makes eighteen. In the main the increase is related to our district office requirements. Perhaps I should explain that following the war the volume of business continued to be very heavy in the district offices, but during the war when the requirements were very heavy, we were empowered to select persons for employment by any means that was considered feasible in the public interest, which meant that you might pick up a man off the street and give him a job. Since the war the competitive system has necessarily been carried out, with advertising and examinations being held. This has meant a very great increase in the work of the district offices; it is not that more people are being hired, but that the machinery for the making of appointments is more complicated. That in the main accounts for the increase. Mr. Murray has also suggested the additional factor that there has been a great increase in the interest in civil service employment; with spots of unemployment here and there we are getting more applicants even though we are not holding more examinations.

Senator ISNOR: So far you have accounted for eighteen—what about the remaining twenty-nine?



Mr. NELSON: Without studying this a bit further, I cannot sort out exactly where they came from; however, I could have an exact compilation made for you, Senator ISNOR.

Senator ISNOR: I selected your own department, feeling that I would be specific in dealing with it.

Mr. NELSON: Yes. Mr. Murray suggests to me that there were five additional employees required because of the increase in security checks, which required a great deal of typing and that sort of thing.

Senator ISNOR: Those additional forty-seven employees cost you about \$275,000.

Mr. NELSON: No, not necessarily. Included in that amount is salary increases to the personnel, and that amounts to a fairly considerable item. If you wish I can give you a breakdown of the increase of costs. The actual increase for salaries is about \$180,000, and the remaining increases are for other items.

Senator ISNOR: \$90,000 for miscellaneous items.

Mr. NELSON: Postage is up; advertising and stationery, supplies and equipment considerably.

Senator LAMBERT: Before we adjourn may I be permitted to ask one question. Mr. Nelson, would you mind telling us how long you have been associated with the Civil Service Commission?

Mr. NELSON: It will be thirty-five years next January.

Senator HAIG: May I point out to Senator Isnor that what is asked for are the years 1939 and 1945, but not those intervening years.

Senator ISNOR: I think it is too much work.

Senator HAIG: I move we adjourn.

The committee adjourned until Thursday, May 19, at 11 a.m.















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PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

# FINANCE

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1956

No. 3

THURSDAY, MAY 19, 1955

TUESDAY, MAY 24, 1955

The Honourable THOMAS A. CRERAR, P.C., *Chairman*

## WITNESSES:

Mr. C. M. Drury, Deputy Minister, Department of National Defence;  
Mr. S. G. Nelson, Commissioner, Civil Service Commission.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1955.

# STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

## The Honourable Senators

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Farris	Paterson	
Fraser	Petten	

\*Ex officio member (Quorum 9)

## ORDER OF REFERENCE

*Extracts from the Minutes of the Proceedings of the Senate*

WEDNESDAY, March 16, 1955.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1956, in advance of the Bills based on the said Estimates reaching the Senate; That the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. Moyer,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

THURSDAY, May 19, 1955.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 A.M.

*Present:* The Honourable Senators:—Crerar, Chairman; Aseltine, Baird, Barbour, Connolly, Golding, Haig, Hawkins, Isnor, King, Lambert, McDonald, Pirie, Taylor and Turgeon—15.

*In attendance:* The official Reporters of the Senate. Mr. Elgin B. Armstrong, Assistant Deputy Minister, Finance Division, and Mr. Dan Wallace, Chief Seceretary, Department of National Defence.

The Committee proceeded to the consideration of the order of reference of March 16th, 1955.

Mr. C. M. Drury, Deputy Minister, Department of National Defence, was heard and questioned.

Mr. S. G. Nelson, Commissioner, Civil Service Commission, was further heard and questioned. At 1.00 P.M. the Committee adjourned until Tuesday, May 24, 1955, at 11.00 A.M.

Attest.

James D. MacDonald,  
*Clerk of the Committee.*

TUESDAY, May 24, 1955.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 A.M.

*Present:* The Honourable Senators:—Crerar, Chairman; Baird, Barbour, Beaubien, Connolly, Gershaw, Golding, Haig, Horner, King, Lambert, Taylor and Turgeon—13.

*In attendance:* The official Reporters of the Senate. Mr. J. A. Murray, Assistant Director, Organization and Classification Branch, Civil Service Commission.

The Committee proceeded to the consideration of the order of reference of March 16th, 1955.

Mr. S. G. Nelson, Commissioner, Civil Service Commission, was further heard and questioned.

The following documents were tabled by the witness:—

1. Table showing hours of work, Federal Employees.
2. Staff Strength of the Federal Government.

At 12.30 A.M. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,  
*Clerk of the Committee.*





## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 19, 1955.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1956, met this day at 11 a.m.

Senator Crerar in the Chair.

The CHAIRMAN: Gentlemen, we will come to order. If the preliminary conversations are through we shall get down to business. We have with us this morning three gentlemen from the Department of National Defence: Mr. C. M. Drury, Q.C., Deputy Minister, Mr. E. B. Armstrong, Assistant Deputy Minister and Mr. Dan Wallace, Chief Secretary. I presume Mr. Drury will run the gauntlet first. For your information, Mr. Drury, this committee is seeking information on the extent of the Civil Service. We notice in reports submitted to us by the Treasury Board that the increase between March 31, 1954, and February 28, 1955, over all the service has been roughly 9,500. In looking through the data which has been given to us we observe that a substantial number of that figure is in the Department of National Defence. The information we desire is why this increase has taken place. Is it related to an increase in military personnel or are there any special reasons why it has grown? For instance, in this return prepared for us by the Civil Service Commission the civil servants in your department, people not in uniform, are listed under prevailing rate employees, casual employees, and classified, which are those certified by the Civil Service Commission. When we put those figures together we observe that the total of your prevailing rates, casual and classified in 1953 at the 31st March was 42,500. In 1954 it was 45,373 and in 1955 at the end of February the figures we have secured indicate that it had grown to 53,105.

Senator CONNOLLY: Where do you take those figures from?

The CHAIRMAN: Those are taken from this report given to us. I put them together this morning. In the return given to us by the Treasury Board, administration includes employees of the Defence Research Board of Canada. The classified were given as 4,635 at the end of 1953; 5,146 at the end of 1954, and 5,372 at February 28, 1955.

The prevailing rates under administration were 282 in 1953; 292 in 1954; and 294 at February 28, 1955. This data is ending in March. Casual 209, 163 and 192. Then when you come into the armed services, apart from administration, under classified there were 10,877 at March 31, 1953, 12,232 at March 31, 1954, and 12,923 at February 28, 1955. Then the prevailing rates and casuials follow on down: Naval is shown in the same way as is the Air Services. This represents the figures put together, as shown in the return. We would like Mr. Drury to give us some reasons—and no doubt he will have some explanation to make—why the increase has taken place.

That, I think, summarizes my understanding of the committee's desires at the present time, and perhaps I should say no more. Perhaps, Mr. Drury, it

might be useful to the committee if you gave the organizational set-up, covering, for instance, the responsibility of your head office, and the responsibility if any of your outlying services in the defence department.

Mr. DRURY: I will try to do so, sir.

The CHAIRMAN: You now have the floor.

Mr. DRURY: Mr. Chairman, it is perhaps a little difficult to make clear just what the organization is without a chart, and I did not come prepared with one.

The CHAIRMAN: We do not seem to have a chart for the defence department amongst the documents before us.

Senator LAMBERT: I think the department sent out such a chart at one time when we were dealing with the Defence Act. I believe Mr. Drury was before the committee at that time and a chart was distributed.

Mr. DRURY: Yes, but unfortunately I have not a copy before me at this time. I will endeavour to explain the set up, and if my explanation is not adequate we can produce the chart.

Senator LAMBERT: I think it would be a good thing if copies of the chart were redistributed amongst the members of the committee. Perhaps most senators did not keep a copy on file.

Mr. DRURY: Mr. Chairman, the operation of the armed forces is supported by a large element of non-uniformed personnel in Canada; the figures you have indicated show that there are employed civilians, part-time and full-time, in quite large numbers in support of the uniformed personnel.

Senator BAIRD: What would the ratio be?

Mr. DRURY: About one civilian to 2·1 uniformed personnel.

The CHAIRMAN: May I suggest that members of the committee jot down questions they would like to ask Mr. Drury, so as not to interrupt his trend of thought in whatever statement he has to make.

Mr. DRURY: Consequently, a growth in the number of uniformed members of the department would be expected to be accompanied by a corresponding growth in the number of non-uniformed or civilian personnel. That is precisely what has been happening since the substantial enlargement of the armed forces, dating from 1950 at the beginning of the Korean operation. The members of armed forces uniformed personnel have been steadily increasing, and there has been a corresponding increase in the number of civilian employees of the department. The relative sizes of the uniformed and non-uniformed personnel of the department are very close to experience in both the United States and the United Kingdom. I mentioned the ratio of 1 to 2·1; coincidentally, it is precisely the same as in the United Kingdom where the strength of the uniformed members of the forces is 976,000 and civilians 455,000. In the United States there is a slightly higher ratio of uniform to non-uniform, and there it is 2·9 to 1. The numbers in the armed forces are roughly 3½ million, and the numbers of civilians supporting those armed forces are about 1·2 million. It will be seen that the numbers of civilian employees of the department are quite modest in total compared with the United States and the United Kingdom—a gross total of something of the order of 53,000 in Canada as against close to half a million—455,000, in the United Kingdom, and slightly over a million civilian employees in the United States.

Now, the means, the organization, for controlling the employment and disemployment of the civilians I will endeavour to outline. Naturally, an armed force must have reasonably complete control of its own administration; the military hierarchy must be held responsible directly for the satisfactory administration of its whole service, and this includes not only the military members of that service but the administration and efficiency of the civilians

who are supporting it. In the Department of National Defence the three Chiefs of Staff, and the Chairman of the Defence Research Board, are looked to, in the first instance, for advice on the types, numbers and functions of the civilians required to support their operations, and this advice is based on the basic premise that because it costs substantially more to have a uniformed man in employment to do a given job than a civilian it is preferable, more economic, and in many instances more efficient, to employ a civilian rather than a soldier. Roughly the figures are that the average civilian salary is of the order of \$2,600 per annum within the department. The pay and allowances corresponding to this civilian salary of a uniformed man on the average is of the order of \$3,600 a year. If one includes the travel which is a concomitant of military training, proceeding to and from camps, proceeding in bodies and individually across the country in accomplishing their duties, the figure is higher and is of the order of \$4,000 per man per year. It will be seen, then, that a lesser dollar outlay is needed if a civilian can be engaged to do a given job rather than a man in uniform. The reason for this is quite obvious. A large part of the working time of a soldier is taken up in teaching him the military art—parades, and one thing and another, exclusively military training, conforming to the necessities of military organization which in the accomplishment of a normal job is not performed by a civilian nor, indeed, needed. One gets more productive work therefore out of a civilian than out of a man in uniform. Basically, then, where a task can be performed adequately by a civilian there is a preference for employment of a civilian rather than a military man. By way of example: It is necessary, of course, for the services to have and operate a number of fairly large static depots, and the operation of these is in the nature of a commercial warehouse operation, and in a great many functions in the warehousing operations no particular military skills are needed. In this type of function one would expect and indeed we seek to have as many civilians doing the various jobs in the warehousing operation as possible.

There is one quite important qualification however to this general thesis of seeking civilians rather than military. The armed forces are organized, as indeed they have to be, to fight, if necessary, abroad, outside of the country, and in order to be able to conduct their operations in a more or less self-contained way abroad experience has shown that the conduct of operations abroad in the field should be done by people in uniform who have had military training. This means, then, that in support of a battalion abroad there will be a number of individuals over and above the fighting strength of that battalion required to provide logistic, medical and other types of support. These should be individuals who have had military training. In order therefore to be in a position to send abroad quickly, should need arise, the combat formations we have in Canada, one also has to have in being and ready to accompany them various of the supporting services such as the Army Service Corps, Vehicle Repair Organization, Aircraft Repair Organization, units for the supply of food, ammunition, clothing and so forth.

This means, then, that there has to be in being continuously and in peace time a uniformed nucleus of these supporting organizations ready to proceed abroad, and in order to maintain this supporting nucleus and train it, uniformed personnel have to be employed in peace time in these various jobs on base installations where perhaps, not taking into account these considerations, the entire staff could be civilians. For this reason, then, functions which otherwise might be entirely civilian will have a proportion of military personnel even though on the straight grounds of economics the whole could adequately be done by civilians.

I hope I have made myself clear on that.



Now, applying this general policy there is in each service, the Navy, the Army and the Air Force, a committee charged with reviewing and making recommendations to the Chief of the Services who in turn forwards recommendations to the competent Government organization concerned with this. These committees are charged with making recommendations and reviewing both the military and the civilian staffs of all the various units and organizations within their Service. These committees go by different names in the different Services. In the Navy it is called a Complement Committee, in the Army, the War Establishment Committee, and in the Air Force the Establishment Committee. The Chairman is a senior service officer, and the members are composed of representatives of other branches of the particular service,—mostly personnel branches, the Deputy Minister's branch of the Department of National Defence, the Civil Service Commission, and from time to time, sitting when he can be made available, a representative of Treasury Board.

The functions of these committees are to consider recommendations made by unit commanders in each of the services for changes, whether it be increases or decreases in the staff, required to carry out the function with which the unit commander has been charged. These committees, needless to say, are full time operations for the individuals concerned and are required to apply the policies outlined and to ensure that there is, in so far as this is possible in a widespread organization, no overlapping of functions and no undue demands for unnecessary staff.

In addition to the review of recommendations they also have the function of reviewing periodically the establishments for which there may not be any particular change suggested.

These committees review not only the military personnel proposed but the supporting and complementary civilian personnel. It is not too profitable to try and examine either the military by itself or the civilian by itself; the two are necessarily intermingled; and one has to look at the whole establishment at one time.

Based on the recommendations of these committees, any change results in recommendations made to the Civil Service Commission, who have already had the advantage of a preliminary consideration of it by one of their members on the committee; and the Civil Service Commission then, having applied their various tests and procedures, authorize, or fail to authorize in some few instances, a change in the establishment. As I have said, the strength of the uniformed personnel has been growing, and the principal work of these committees in respect to the civilian personnel has, of course, been related to examining proposals for increases in staff rather than decreases. The scrutiny given by these committees has resulted in a number of recommendations for increases, but quite a substantial number of occasions on which proposals for increases have either been refused or whittled down.

I should perhaps point out one difficulty which is engendered by this rather rigorous screening procedure. When a new function arises in the field and a uniformed commander formulates a recommendation for a change in his staff to perform this new function, a tremendous time lag ensues between the period when he perceives the need and asks it be met and when provision is made of the means to meet it. Before the establishment committees look at these recommendations there is a series of screenings through which those proposals proceed by committees at various levels until they finally reach the establishment committee level. After the establishment committee reviews it there is a further review, as I have outlined, by the Civil Service Commission and, finally, by the Treasury Board. If all these people are in agreement a position is established and the machinery set in motion to recruit a man. As a consequence as much as a year has elapsed from the time a request has been made for a body to do a job and the actual receipt of the body.

We have endeavoured to cut down on this time lag by putting elements of the establishment committees on the road as travelling boards to inquire into the situations more frequently and very much more rapidly right on the spot in the field. This has resulted in a marked cutting down of these really quite unconscionable delays between demands and satisfaction.

I am not sure what other outline I might give now or what other points you might wish me to make, Mr. Chairman.

The CHAIRMAN: Your total personnel under classified in 1954 amounted to 29,700. In 1955, at February 28, it was 32,600. That represents an increase of about 3,000. I take it from what you say that was due to an increase in uniformed personnel?

Mr. DRURY: A corollary to an increase in the number of uniformed personnel.

The CHAIRMAN: Could you give the committee some information as to what prevailing rate employees are and what they do? In all services they amount to 14,700, and you have in your administration service 294 prevailing rate employees at the end of February. That is your head office, is it?

Mr. DRURY: Under administration is included the Deputy Minister's staff, and the inspection service, which carries out a qualitative inspection of manufacturers of military equipment and supplies. Possibly I might try and explain, if the committee is not aware of it, what these various classifications of people mean.

The CHAIRMAN: That would be very useful.

Mr. DRURY: The first is the classified position. This is a position which is established and classified by the Civil Service Commission, and the man appointed to it is a standard, ordinary civil servant subject to all the terms and conditions of the Civil Service Act. In general one seeks a classified position for a job which is going to be a continuing one, and is of a type which falls within one of the classifications of employment laid down by the Civil Service Commission. The best way to explain him is as an ordinary civil servant. You have given a total of some 32,000 as of February 1955. These are ordinary civil servants. Their terms and conditions of work and salaries are governed by the Civil Service Act and the Civil Service Commission.

In addition to those are the prevailing rate employees. They tend to be tradesmen and technicians employed in Defence Department establishments across the country, and their hours and conditions of work are determined by the practices and the conditions prevailing in the locality in which they are employed.

A classified civil servant as a clerk, for instance, would get paid on the same basis and have the same conditions of work in Ottawa, Halifax, Vancouver or Winnipeg. The prevailing rate employees, such as carpenters, plumbers and men who normally belong to trade unions, would enjoy the pay and general conditions of work which prevail for their particular type of employment in the locality in which they find themselves.

Senator CONNOLLY: What are his functions as against the others? You said the others were technicians and tradesmen. How would you describe the functions of this third class?

Mr. DRURY: The second class is the prevailing rate employee, and he is a technician, plumbers, carpenters and that type of individual who normally belongs to trade unions.

Senator CONNOLLY: They are prevailing rate employees?

Mr. DRURY: Yes. Their emolument is based on that which prevails in the locality in which they are going to be employed, as against the civil servant

whose salary is standard right across the country without regard to the locality in which he is employed. Both of these classes of people, in so far as we regard them internally, are subject to the same scrutiny in respect of the necessity for their employment, one as the other—the classified or the prevailing rate employee. The prevailing rate employee positions are like most of the classified positions—continuing ones, they go on and on and on, it is not short-term or seasonal employment, and while they are employed or tend to be employed for a considerable number of years they are not civil servants and do not come under the Civil Service Act or, in all cases, the Superannuation Act. The third class are called “casuals”, and these are employees who are engaged within a specified monetary ceiling by unit commanders across the country to do urgent or relatively short-time jobs. If a camp has to be opened a number of people will be required for a short time for a clean-up operation in advance, and the men to do this will be recruited by the unit commander locally, and he will have a monetary ceiling to do this, rather than a specified number of people of different classifications. The employment of casuals is not an object of the work of the establishment committees I have mentioned.

In addition to this, there are contracts entered into for performance, mostly of security functions with the Corps of Commissionaires, and this is an arrangement that the department has with the corps itself to provide specified services, and the Corps of Commissionaires recruits and discharges, as the case may be, the individuals to do and perform the security functions. We have no say in who does the job or how much he gets paid. It is just a contract to perform a service, and there is no direct relationship between the department and the individual commissionaire.

There is a further, rather specialized class, and those are school teachers, of whom we have quite a number. Schools in isolated places in Canada are run entirely by the Department of National Defence, and quite a substantial number of schools on the continent.

Senator CONNOLLY: Overseas, too?

Mr. DRURY: On the continent of Europe, overseas. Here the employment is through arrangement on a loan basis with school boards across Canada whereby we borrow on a reimbursement of salary basis a school teacher from a board for a one-year term, and the selection, in the first instance, of the individual is made by the school board rather than by the Department of National Defence. There is no direct recruitment of these teachers for overseas duties.

Senator CONNOLLY: Are members for these various categories you are speaking about given in the estimates?

Mr. DRURY: There would be, Senator Connolly, no number given for casuals. A sum of money would be provided for a task to be done, say \$100, and it would rest with the local officer whether he wanted 10 men for one day, or one man for 10 days, whichever seemed most appropriate to him, provided he managed within this financial ceiling.

The CHAIRMAN: This financial ceiling is set up in Ottawa?

Mr. DRURY: It is set up in Ottawa.

Senator LAMBERT: Would it be possible for this committee to have a statement of the numbers of employees of the department who are identified as teachers and servants of those institutions, such as the schools and the churches, which are set up particularly to provide and supply the needs of the army or any other branch of national service? There is, I think, a very interesting aspect of that question in relation to chaplains of the army and the remunerations they receive in comparison with the remunerations that are received by ministers of the ordinary churches in the city. I think that would be very enlightening information to have.



Mr. DRURY: The chaplains, as you are aware, Senator Lambert, are members of the armed forces, they are not civilians.

Senator LAMBERT: They function as chaplains, whether they are fighting men or not, but at this time when we are in a state of cold war I should think the main purpose for their existence would be to administer to the spiritual needs of the men they are associated with. I do not want to interrupt, but I think a statement in regard to the number of schools and teachers, and the staff connected with that service, and also the religious aspect in connection with chaplains would be very enlightening.

Mr. DRURY: I can obtain for you fairly quickly, I think, the number of chaplains in each of the three services. There is no provision for supporting staff for the chaplains, there are no acolytes or individuals of that character.

Senator LAMBERT: Can you tell me how many there are, roughly?

Mr. DRURY: I cannot recall offhand, but we can get the number of chaplains for you.

Senator LAMBERT: Am I right in assuming that the allowance—well, the salaries or the pay of these men far exceeds the scale of salaries which prevail in the ordinary church, either Protestant or Catholic? There are vice-chaplains, or assistant chaplains, and two assistants sometimes, I understand.

Mr. DRURY: Personally, I do not know what the emoluments of civilian clergymen are, but pay and allowances of chaplains vary. The senior chaplain receives the pay and allowances of a captain in the navy, a colonel in the army, or equivalent to this. The senior chaplains, for pay and allowance purposes, are equivalent to colonels in the army.

Senator LAMBERT: That would be about \$10,000 a year?

Mr. DRURY: Well, this will depend on whether he is married, and if he has children, and whether he is living in or out. Basically, as a colonel, he gets \$615 a month—his basic pay.

Senator LAMBERT: In connection with that there would be certain considerations by way of house allowance and so on?

Senator BAIRD: That is basic pay.

Mr. DRURY: That is basic pay, and he gets the normal allowance for subsistence, if rations are not provided, and for quarters if they are not provided, and marriage allowance if he is married, all in the same way as anyone else in the armed forces would get them.

Senator LAMBERT: Then there is in addition a pension provided upon retirement.

Mr. DRURY: There is the standard contributory pension.

Senator LAMBERT: This branch is made up pretty largely of young men, is it not? There is an age limit of fifty or fifty-five at which they are supposed to be replaced.

Mr. DRURY: I wouldn't call the Senior Chaplain in the rank of colonel a young man. The young men are equated to the junior officers in the armed forces, for instance, a sub-lieutenant in the navy, a lieutenant in the army and a flying officer in the Air Force, and their basic pay is of course quite a lot less.

Senator LAMBERT: Would any advance in pay for these people be the subject of their own representations or efforts, or would they be included in the ordinary scale of rates of pay applied to the army as a whole?

Mr. DRURY: I can perhaps answer that by saying there are no special scales of pay or allowances applicable to chaplains.

Senator LAMBERT: That would leave the door open for an adjustment of their remuneration accordingly, I should think.

Senator CONNOLLY: Mr. Drury, I do not quite follow your statement. You said the basic pay for say the Senior Chaplain is \$615 a month.

Mr. DRURY: Yes.

Senator CONNOLLY: Do the chaplains who are lower in rank than the Senior Chaplain not have a basic pay?

Mr. DRURY: They have a basic pay, but it would be lower than \$615.

Senator CONNOLLY: Yes, of course.

Mr. DRURY: The equivalent for a sub-lieutenant in the navy is \$220 a month.

Senator CONNOLLY: But there is a standard rate of pay corresponding with the rank.

Mr. DRURY: That is correct; they receive precisely the same pay as service officers of the same or equivalent rank.

Senator BAIRD: You class the chaplain as a non-combatant.

Mr. DRURY: As a non-combatant.

Senator BARBOUR: Mr. Drury, what percentage of the chaplains hold the rank of colonel?

Senator BAIRD: It seems that all of them in the Canadian army are colonels.

Mr. DRURY: Six.

Senator BARBOUR: Only six for the whole of the armed services?

Mr. DRURY: Six for the three services.

Senator BARBOUR: How many chaplains do you have below the rank of colonel?

Mr. DRURY: The balance—I will give you the total.

Senator BARBOUR: What would the balance be?

Senator CONNOLLY: Where are you taking these figures from, Mr. Drury?

Mr. DRURY: I am reading this from an unpublished document.

Senator CONNOLLY: I am sorry, I thought you were using the annual report.

Mr. DRURY: I am taking the rates of pay from the White Paper.

Senator CONNOLLY: The annual report.

Mr. DRURY: Yes, which every year sets forth the basic rates of pay. There is no reason that this should not be published, but it just has not been done. The total number of chaplains in the three services is 238, so that the number who are not colonels would be 232.

Senator LAMBERT: Does this apply to overseas as well as to Canada?

Mr. DRURY: Yes, it does. There are 208 in Canada and 30 abroad.

Senator BARBOUR: So that the average pay for all chaplains would not be too high.

Mr. DRURY: Well, it wouldn't be \$615 a month.

Senator HAIG: May I ask how chaplains are chosen? Are they chosen by a census of the reported denominations as to churches in the armed forces?

Mr. DRURY: Well, there are two main denominations represented in the armed forces, namely Roman Catholic and Protestant. The Protestant church in Canada is made up of certain particular faiths, and the Protestant chaplains in the armed forces are roughly equivalent to the representation in Canada of these various particular denominations, for instance, the Church of England, the Methodist, Presbyterian and so on.

Senator HAIG: The reason I raise this point is that when invitations are extended from Government House—and I have had only one in my life, though I am not complaining about that—they do not invite one of the largest Protestant churches; that is to say, the head of that church was not invited, although he represented more adherents than any other Protestant church in Canada. I wonder if the same situation prevailed in the armed forces. I happen to belong to the church to which I refer, and know the situation there, and I wondered if the same law applied in the army.

Mr. DRURY: I am not sure what law may be applied by Government House, but I think it safe to say that the principal denominations of Canada are represented amongst the chaplains serving the armed forces.

Senator HAIG: To be quite honest with you, I may say that in military affairs in my province, I never see the church to which I belong invited, although churches of a quarter or half its membership are always invited. Does the same thing go on in the army?

Mr. DRURY: I have never heard of this situation.

Senator HAIG: You had better look into it. The census is what should prevail; that tells the story.

Senator LAMBERT: Am I not right in saying that the selection of chaplains to the service would be the subject of consultation with the executive bodies of all the respective churches represented by members of the armed forces?

Mr. DRURY: That is correct.

Senator LAMBERT: I would think that before a chaplain is selected—and I am not suggesting that they are recruited as colonels, but perhaps rather as lieutenants . . .

Mr. DRURY: Yes, they are recruited as lieutenants.

Senator LAMBERT: . . . the suggested list from which the army might select these people would be provided from the central executive offices of each church.

Senator BAIRD: From my observations of the Canadian Army, for instance in Newfoundland, it seems to be top heavy with high ranking officials. In fact, there seems to be nobody that we know in the army under the rank of colonel.

Mr. DRURY: Well, that is not so; of course, I do not say that you don't know anybody under the rank of colonel.

Senator BAIRD: That may be so, but surely the other ranks are few and far between.

Mr. DRURY: The army in Newfoundland, for instance—

Senator BAIRD: I do not limit it to Newfoundland only, but around Ottawa too. For instance, in the old days we used to have an acting unpaid lance corporal doing the work that some of the colonels are now doing today, and they are drawing down a good deal of the taxpayers' money.

Mr. DRURY: I hope we are not employing colonels to do work that could be done by an acting unpaid lance corporal.

Senator BAIRD: He would be a latrine orderly, as you know.

Mr. DRURY: I would doubt very much if what you suggest is the case. It is true that in Newfoundland the Canadian army is a headquarters in type. There are no active regular units where one finds an acting unpaid lance corporal—in other words, the proportion of lower ranking soldiers in a fighting unit would be higher than in a headquarters.

Senator BAIRD: In other words, it is the nucleus for future development.



Mr. DRURY: That is correct. For this reason perhaps it has struck you that the balance of higher ranking officers appears to be above what it would be for a large body of regular units in a province.

The CHAIRMAN: If Mr. Drury is through with his discussion on prevailing rate employees and casuals, I have this suggestion to make: that we start a round of questioning beginning with Senator McDonald at the far end of the table, giving, in turn, each senator a chance to ask whatever questions he desires. I have a few questions to ask myself, but I will reserve those to the end.

Senator BAIRD: I personally think the Chairman should have first choice then we would know how much we would have to cover.

The CHAIRMAN: Have you anything further to say about these casual workers, Mr. Drury?

Mr. DRURY: I hope I have made the distinction between these three classes clear. If not, then I would be glad to supplement it.

The CHAIRMAN: We may bring out any other points in the questioning.

Senator McDONALD: I would say that Mr. Drury has done very well in his explanation. I am sure that the information that I want to have, and I judge what other members of this committee want to have, in part, at least from the various departments, is that when an increase in personnel is shown over and above those employed for the past year we would like to know what these new employees are going to be called upon to do.

Under the title of administration in your department, an increase is shown of nearly 1,200. I am sure members want to be fair, and I am sure the public want to know not just one side of the story, but would like to know what the increased staff is going to be called upon to do, what they are going to be employed at. So I was wondering if we could have for the various branches of your department a brief outline of what this increased staff are doing.

Mr. DRURY: Mr. Chairman, it is quite difficult, I regret to say, to make a brief statement as to what these increases comprise. If I may cite an example, there is in the process of construction and gradually coming into operation quite a substantial army training camp at Gagetown, New Brunswick. As the construction becomes completed and the army takes this into use, the number of people employed in making that camp operate will grow until it reaches its full scale operation. It is just beginning.

Now, this will mean that the army will require to take on in respect of Camp Gagetown a number of additional staff—plumbers, electricians, forest rangers, static engineers looking after the water pumping plant, the filtration plant, the sewage disposal plant, the maintenance of roads and all things that go with the operation of a fairly large camp.

Senator McDONALD: That is what I meant. This increase of 1,200 employees would be caused by the new establishment in Gagetown would it not?

Mr. DRURY: Well now, Mr. Chairman, I am not quite clear where the figure of 1,200 comes from.

Senator McDONALD: I took that figure from the booklet we have been given showing staff strength statistics, 1939 to 1954, in Table 1, under National Defence administration.

I beg your pardon, Mr. Chairman, I see the figure I was referring to was for the year 1952. Have we the increase for 1955?

Mr. DRURY: I think there are some later figures in Table 2 under the heading of Administration.

Senator McDONALD: I am sorry; this is the first meeting that I attended of this committee, other committee meetings have required my attention, and I have not brought myself up to date on this work.

Anyway, Mr. Chairman, you understand what I mean. These figures give one part of the story, they give the increase in the number of employees. Now, in order to give a fair picture to all concerned, we should have in a brief form what these increases in staff are for.

Mr. DRURY: In Administration, between the current year 1955-56, and 1954-55, there will be a net decrease of employees, the decrease being mostly in the Inspection Services where a number of equipment contracts are reaching completion. The Inspection Service itself is becoming more efficient and accustomed to this work, and we are able to cut down on the total number of employees. So, in respect of administration as a whole there is a net decrease, not an increase. There are, however, increases for the three Services, the Army, the Navy and the Air Force, and as the Book of Estimates shows there are a staggering variety of classifications of employment and consequently a tremendous number of individual units whose operations, some of which may want two more men, another one less, and it is difficult to be brief and to go into these in detail.

I wonder if perhaps I might look at the book here.

The CHAIRMAN: Yes. In the meantime I might explain that Table 1 of this booklet showing staff strength statistics gives strengths in 1939, 1945, 1948, 1951 and 1952. Table 2 in the same booklet gives the staff strengths for 1953, 1954, and 1955 up to February 28.

Senator McDONALD: Yes I see now, Mr. Chairman.

The CHAIRMAN: Are there any further questions?

Mr. DRURY: I wonder if I have really satisfied Senator McDonald. I think the briefest answer one can give is that this rise in the number of civilian personnel is collateral or corresponds to the increase in the uniformed strength, and the two must go together. The only general test as to whether this is right or wrong is obtained from experience, or the comparable ratios in the other countries such as the United States and the United Kingdom. Now whether it should be an increase of 1,200 or 1,100 one can only ascertain or justify on the basis of an examination of each individual position. Do they need an extra clerk in the stores accounting section in the Halifax dockyard? Whether that is needed or not, one must look at the functions of the stores accounting section. Or does it require three men to run the water supply for the Air Force station at Cold Lake, or can they get along with two? It is all these ones and twos over a tremendous number of units' installations which add up to these totals.

Senator McDONALD: Do you have a staff that is checking up on whether or not a branch of the Service is overstaffed?

Mr. DRURY: These are the establishment committees which I mentioned earlier on which there are representatives of the services themselves, the Deputy Minister's office, the Civil Service Commission, and, quite frequently, Treasury Board. So that an apparatus of government which is designed to scrutinize and control this employment is integrated into our own procedure for controlling civil employment.

Senator McDONALD: Thank you, Mr. Chairman.

Senator GOLDING: I was wondering, Mr. Chairman,—perhaps it would not be in order—if we could get a set-up of the number of personnel or the persons in the Air Force, the Army and the Navy, and indicate the reason for these figures here. Would it be in order to tell us how many are in there at the present time?

Mr. DRURY: Yes. I would just like to get this for comparable periods for you now. The strength of the services on March 31, 1953, which corresponds with the first column of page 2 of Table 2—

The CHAIRMAN: That is, the men in uniform?

Mr. DRURY: The men in uniform,—uniformed personnel.

Senator LAMBERT: Both at home and abroad, eh?

Mr. DRURY: At home and abroad: the Navy, 15,546; the Army, 48,458; and the Air Force, 40,423.

Senator HAIG: Those are men in the service?

Mr. DRURY: Uniformed personnel in the service.

The CHAIRMAN: Perhaps you would add the totals. Or does someone want them broken down?

Mr. DRURY: I will give you the totals. That would be a lot shorter. The total at the end of the fiscal year 1952-53—that is March 31—was 104,427. The following year it was 112,529. On March 31, 1955 it was 116,755.

Senator CONNOLLY: Just as a matter of record: you took those first two figures, did you, from an annual report?

Mr. DRURY: The White Paper on Defence. This is the one that is annually tabled in the house. They would occur, though a little later, in the annual report. You will see then, Senator Golding, there has been a growth in the number of uniformed personnel,—104, 112, 116; and there has been a corresponding growth, which one would expect, in the number of civilian employees.

Senator GOLDING: That is the picture I was trying to get.

The CHAIRMAN: Anything further? Senator Baird?

Senator BAIRD: Well, I would say this, that Mr. Drury has made such a wonderful and detailed explanation of the whole thing that I feel I am just absolutely floored. I haven't anything left to say. I leave it to Mr. Connolly.

Senator TURGEON: I think I am of the same opinion as Mr. Baird. I believe the witness has answered everything.

Senator HAWKINS: I am concerned about the classified group that you say are labourers and mechanics and the rest. Do you have any yardstick, or do you compare the hourly or daily production of this group with what there might be in civilian operations; and what do you find in that picture, if you do that?

Mr. DRURY: I think perhaps I did not make myself clear. The classified ones are the civil servant type.

The CHAIRMAN: You are thinking of casuals?

Senator HAWKINS: No, I am not. He spoke of his establishments such as repair depots and that sort of thing. They are not Civil Service people who are in there, are they?

Mr. DRURY: Well, they will be a mixture of the Civil Service doing the clerical jobs, prevailing rate employees doing electrical jobs, plumbing, steam-fitting and so on, and casual labour.

Senator HAWKINS: That is the class I am speaking of in those depots. I am wondering about the efficiency in your depots,—to be frank with you, and I am a bit concerned about it. I do not intend to go into any questions in connection with this over-all picture. You say something that I am very conscious of, that it is not any great influx or outgo of people that causes these figures; it is just one here and two there and so many elsewhere. And there is half an hour here, five minutes there, and nothing is accomplished in the day. That is what I am after, and I want your experience in connection with it.

Mr. DRURY: What we endeavour to do is to pay comparable wages—



Senator HAWKINS: It is production that I am talking about.

Mr. DRURY: —that is part of it—to those offered by a civilian organization. One hopes by these means to attract at least as competent individuals as a commercial organization would get. There has been on occasion a lag in the attractions offered to those to be employed by the Government as against commercial organizations, and in some instances perhaps we have not done as well in competition in getting the best people.

In respect of the people we do get, there is unfortunately no absolute yardstick by which one can measure their efficiency. The services do, however, endeavour to examine the record of operation and costs of operation of one of their depots as against another, and in so far as this is possible, to compare these with civilian operations of the same nature. It is my understanding that these do not compare unfavourably at all.

Senator HAWKINS: Thank you.

The CHAIRMAN: Any further questions?

Senator HAWKINS: No, thank you. That was a very neat answer.

Senator BAIRD: I think so.

Senator ASELTINE: To what extent does the forty-hour week enter into the picture? Would that have anything to do with the increases during the last year?

Mr. DRURY: As is the case throughout the government service the introduction of the shorter work week tends to result in a larger number of employees. It must be obvious that to do the job in a shorter time you must have more people.

The CHAIRMAN: Did you have in mind, Senator Aseltine, the classified civil servants in the department?

Senator ASELTINE: Yes.

The CHAIRMAN: How do their hours per week compare under the five-day week and the five and a half day week?

Mr. DRURY: In Ottawa the classified civil servants all went onto the five-day week in National Defence as they did in every other government department. In the field in some places a five-day week was adopted and in others not, and there is insofar as the overall operation is concerned a tremendous variety of work weeks. There are so many operations being conducted that the work week in respect to employees varies within in the department from the standard in Ottawa of 38.2 hours to a forty-eight hour week for certain types of employment outside of Ottawa in the field. Those are mostly for the prevailing raters. The impact of the five-day week for the Civil Service was not as pronounced as it might have been in respect of National Defence because so many of our people, these prevailing raters, were working on a five-day week in any event because this was the prevailing custom. Where it was not the prevailing custom they continued to work just as they did before. There is no question that the reduction for the civil servants from a five-and-a-half to a five-day week has resulted in some necessary increases in personnel.

Senator ASELTINE: But you cannot tell us how many additional employees were required on that account?

Mr. DRURY: I would be less than honest if I did not say to you that if I were to go and work on this and bring you back a figure it would be based on quite a few assumptions which would be difficult to prove in one way or another.

The CHAIRMAN: When you cut down from the five-and-a-half to the five-day week how much were the work hours per week cut down?

Mr. DRURY: The work hours remained the same. The number of work hours in the week remained the same as they were under the five and a half day week.

Senator BARBOUR: Are you sure there was not an increase?

Mr. DRURY: I recollect there was some little increase, which I think now is a subject of representations by some organization or other.

The CHAIRMAN: Theoretically, at any rate, the civil servant working five days would do as much work in the same number of hours as he would under the five and a half day week.

Mr. DRURY: That is correct, sir.

The CHAIRMAN: If that is so, it should not at all affect the total amount of work done.

Mr. DRURY: It does not where it is merely a question of a given volume of work to be accomplished in the course of a week without regard to its timing by days, but there are some operations which have to be carried on over six days and, indeed, seven days, and when you cut back to a five day work week on these operations you have to supplement the number of people doing the work.

Senator HAIG: One of the Civil Service Commissioners told us what happens when your department requests additional staff. He said that after the position was recommended by your department and dealt with by the Civil Service Commission, the matter had to go to the Treasury Board for approval. Is that method still in effect?

Mr. DRURY: In the final analysis the Treasury Board still has to approve the position.

Senator HAIG: Have they ever refused approval of your recommendations?

Mr. DRURY: Oh, I think there have been occasions.

Senator HAIG: Very few.

Mr. DRURY: I wish it were very few but I would hesitate to cite any number. Might I perhaps put it this way. In the urgency which surrounded the expansion of the department immediately following the outbreak of hostilities in Korea there was considerably less reluctance on the part of the Treasury Board to agree to increases than there is now.

Senator HAIG: One other question. I understood you to say that your civilian personnel has varied from one to 2.1. Now, the army, navy and air force personnel have increased very little so I would not think they would pull that increase up very much in your department.

Mr. DRURY: In the period covered here there has been an increase from 104,000 to 116,000, an increase of 12,000.

Senator CONNOLLY: In what period?

Mr. DRURY: From March 1953 to March 1955, a period of two years. That is an increase of 12,000 in uniformed personnel.

Senator HAIG: Has there not been a big increase caused by having to take care of all these houses you have built for soldiers? Is that not a factor for an increase in your civilian employees?

Mr. DRURY: Which houses have you in mind, sir?

Senator HAIG: Well, in Tuxedo in Winnipeg you built a great many houses for soldiers. Their construction has to involve work by electricians, plumbers and other tradesmen. Now, has that type of employment not increased very materially in the last four years in proportion to the others?

Mr. DRURY: I would not say very materially, sir, in proportion to the others. There obviously has been an increase in direct relationship to the

increase in the number of married quarters that have been built, and we have had quite a substantial number of married quarters built right across Canada; which has meant some increase in the number of maintenance people of this character required to look after that, that is quite true.

Senator HAIG: Take Rivers, you have a big increase there, too?

Mr. DRURY: Quite a substantial increase in the number of houses, but I do not think at Rivers a very substantial number of maintenance people look after them. Once one has the base of a maintenance organization, then it does not need to be expanded very much to take care of additional numbers.

Senator HAIG: What about on the continent of Europe, does the same thing apply there?

Mr. DRURY: On the continent of Europe, no. In Germany we have made an arrangement with the German government to lease from them houses, and the servicemen in effect pay rent for them. The maintenance of these establishments is the responsibility of the landlord, the ultimate owner—the German government, so we do not need to hire people to look after them. In France the maintenance is a responsibility of another landlord, it is not the French government, it is a French corporation who has built and owns them.

Senator HAIG: Thank you, very much, I understand what you mean. That is all the questions I have, Mr. Chairman.

Senator CONNOLLY: I have a couple of questions. With reference to these committees, which you discussed in the general statement, the complement committee, and war establishment committee, and the establishment committee, you referred particularly to the fact that where increases were required these were the people who reviewed them in the department to determine whether the increases were justified. Now, are there corresponding functions for other committees or for this committee when decreases are needed?

Mr. DRURY: Needless to say, a suggested decrease, by reason of the nature of these committees, does not get very intense scrutiny. Everyone is prepared to agree quickly to a proposal for a decrease.

Senator CONNOLLY: Is there such a thing as an official of the department, or a committee of officials of the department, who look to places where decreases should take place?

Mr. DRURY: Perhaps I did not make this clear enough. One of the responsibilities of these committees is not only to review proposals for increases but to review establishment even where no proposed changes are suggested. We do review and ensure that units are not over-complemented, and that they have no more than the number of persons required to do the job they are currently doing. Now, this is obviously necessary, because a unit which may have had a substantial function in 1951 or 1952 may have discharged it and have much less to do, in which case there should be a decrease. It is not natural, perhaps, that a unit commander would suggest this on his own, and therefore these committees that I have mentioned have the responsibility of reviewing these establishments periodically to ensure that they are not under-employing their personnel.

Senator CONNOLLY: Is that an unfortunate part of their function?

Mr. DRURY: It is.

Senator CONNOLLY: Because if you use the example of Gagetown, now, as the result of the establishment of Gagetown, you have some increase in the civilian complement. By the same token, would there not be a decrease in other centres which would be replaced as a result of Gagetown starting?

Mr. DRURY: Unfortunately, there will be virtually no decrease in the use of other military camps as a consequence of Gagetown. It will be possible



when Gagetown is completed to perform a number of training functions in the army which hitherto have had to be left undone.

Senator CONNOLLY: Now, Mr. Drury, could you supply the committee with any information as to the numbers of people involved in this personnel work? I take it that in the Department of National Defence you have a personnel branch headed by one of the senior officials. Could you say how many people throughout the department, civilians, are concerned with the economic use of civilians and the question of increasing and decreasing staffs?

Mr. DRURY: I can give you a figure on that, but it might not be too absolute, in the sense that at least part of my time is employed on this. Well, this is one of my duties. Now, there is an Assistant Deputy Minister of administration, and a large part of his function is to do this—an Assistant Deputy Minister, Mr. Armstrong, under the heading of "Finance", a proportion of his time is occupied in reviewing this kind of thing, at least, from the financial end. I can give you figures for people employed under what is known as the Director of Civilian Personnel. Now, their functions are exclusively personnel considerations. I could give you the numbers employed in the Adjutant General's Branch in the army. Their functions are exclusively personnel.

Senator CONNOLLY: For the service personnel?

Mr. DRURY: Service and civilian, because they have to be looked at together, as I mentioned earlier. Also the Chief of Naval Personnel—and I will be glad to do that. But I would point out that it would not be for you the whole answer because it is part of the responsibility of everyone in the Deputy Minister's Branch to be conscious of and to engage in this sort of thing all the time.

Senator CONNOLLY: Part of the operation of a general manager, so to speak?

Mr. DRURY: Yes.

Senator CONNOLLY: Thank you, I think those figures might be of value to the committee. Now, if the committee does not mind my moving on to another point. Mr. Deutsch was with us a few days ago; he is the Secretary of the Treasury Board. Mr. Deutsch said that there were thousands of additions to the staffs of the various departments due to the fact that the 40-hour week, or five-day week, had been introduced, and I gathered from the answer you gave Senator Aseltine that the impact on your civilian staffs was not very good.

Mr. DRURY: Not as great or as pronounced as some other departments, such as the Post Office Department, or the Department of Public Works, that is true. Perhaps I can get someone to try and make an estimate of what it might have been—it would be difficult, I think.

Senator CONNOLLY: Perhaps it could be looked at and something useful could be made available?

Mr. DRURY: Very glad to, Senator Connolly.

Senator CONNOLLY: A further plan which occurs to me is that of the policy of using civilians for doing civilian jobs. Is that relatively speaking a fairly new policy of the department?

Mr. DRURY: I do not think so. As you know the Navy has done it since the time of Nelson; for the army it is a newer concept, and for the air force which is a relatively young service, it is a very much newer concept; the extent to which this has been adopted is in that order. One can look to more of it being done proportionately in the air force than in the army or navy, and more in the case of the army than the navy.

Senator CONNOLLY: Would the implementation of that policy over the past three years account for much of the increase in your civilian staffs as disclosed in the material which has been supplied to us by Treasury Board? For instance, it shows as of March, 1953, 42,000 odd, March, 1954, 54,000 odd and February, 1955, 63,000 odd.

Mr. DRURY: I have never attempted a breakdown of the increases which are made up partly of this factor which you have mentioned, and partly also by the undertaking of brand new functions. What the ratio might be, I am not too sure. However, it would be greater in the current year than in the past year because we are placing more emphasis on this now than we have in the past years.

Senator CONNOLLY: Do you have to deal with the unions in relation to any of your employees?

Mr. DRURY: A number of the prevailing rate employees are members unofficially of unions; however, the unions, in relation to the government service generally, have no official standing.

Senator CONNOLLY: No contracts.

Mr. DRURY: No contracts at all in national defence. Therefore, they do not engage in bargaining operations which might lead to a contract, but the employees do, as indeed any citizen of Canada is entitled to do, make representations on one score or another, and they are given answers to these representations.

Senator CONNOLLY: What about the Civil Service employee associations? Do you have the same situation there?

Mr. DRURY: The same situation prevails in respect to them, although there is quite elaborate machinery established for consultation under the Treasury Board with the Civil Service Federation and Civil Service Association.

Senator CONNOLLY: Do the representations which they make affect in any way the employment figures?

Mr. DRURY: Well, I hesitate to say that they do not affect them in any way. I suppose they do in some way, but I do not know very much about the operation of this body.

Senator CONNOLLY: It goes to the Treasury Board.

Mr. DRURY: Yes.

Senator LAMBERT: Mr. Chairman, there are a couple of questions which I should like to ask Mr. Drury to express an opinion on, and if he does not feel he can properly do so, it is quite all right. First may I say that it is farthest from my mind to encroach in any way upon the field of policy, which is the responsibility of others. However, what I have to ask bears I think rather pertinently upon the whole prospect of expenditures directed to the maintenance of our national defence. We now know that a large percentage of the budget of Canada is directed to the marked expansion in cost of maintaining our national defence.

At one point Mr. Drury referred to the Korean activities and the urgency which surrounded certain periods as having a bearing on the situation. I should like to ask him if the lessening of that urgency that has steadily characterized certain periods is about to be realized, and how quickly may we expect such reductions to be realized by way of a decline in the expenditures for national defence.

Mr. DRURY: Well, Mr. Chairman, I think the lessening of a sense of urgency has been apparent within the department for some time; there has been a continuous insistence on the accomplishment of the various tasks in an orderly, efficient and economic way, and not on the overriding priority of getting a job

done immediately regardless of how it is to be accomplished. Over the past two years at least there has been an insistence on orderliness and efficiency rather than an urgent accomplishment of certain things. This will continue to be the case. The extent to which the lessening of a sense of urgency will be reflected in a decrease in the defence budget is difficult to measure. The Minister has forecast on a number of occasions that he does not see any substantial lessening of the defence burden; he hopes however to be able to achieve a reduction not by reason of throwing overboard things we are now trying to do, but by being able to do them more efficiently and economically. Efforts are being made not in the abrogation of functions, but in doing them more efficiently.

Senator LAMBERT: I may say in this connection that I know there is a close organic contact between the principals in the national defence department and in the Department of External Affairs in this country, dealing with matters of national policy. I am sure that the practical difficulty of reducing expenditures corresponding to the urgency or lack of urgency must be most difficult to estimate. It is perhaps something similar to the difficulty of getting out of public life as compared with the comparative ease with which one can sometimes get into it. I think you have answered my question as well as you or anyone could.

My next question is a more delicate one, in relation to the economy and efficiency of national defence. Have any realistic studies been made by way of comparison between a system of voluntary service, such as we have now, and compulsory military service as related to the activities now going on? In asking that question I am not referring to the contingencies of conscription in time of war, but rather to the more casual application of it, as applied in other countries of the world where national service is required within certain ages with a view to having at all times a reserve in case of trouble. I am confining my question entirely to terms of efficiency and economy, and am asking you whether studies have been made as to a comparison between the two systems?

Mr. DRURY: There have not, to my knowledge, been any studies made of these two systems on a straight dollars and cents basis. I can answer that, no, not to my knowledge. I had better not express an opinion as to what the result of such a study might be.

Senator LAMBERT: I think that statement is a very interesting commentary upon the approach to this whole question to consideration of defence problems or organized National Defence problems. I do think that it is a very very essential point that should be considered by those thinking of this problem and it should be reduced to a point of view of economy and dollars and cents.

Senator KING: Mr. Chairman, I think the asking of that question of an officer of the department is unfair.

Senator LAMBERT: I prefaced my remarks by saying something to that effect.

Senator KING: I know, but you are asking a question of a political nature and not one that a member of the staff should be asked to answer.

Senator LAMBERT: I realize that.

The CHAIRMAN: Mr. Drury, I think, answered that quite satisfactorily. Whether we change the method of our recruiting armed forces is not a matter for Mr. Drury's decision at all, it is a matter for someone else's, and I do not think we need to pursue that particular question any further at the moment.

Now, there are a few questions, Mr. Drury, that I should like to ask. I am the last one in the circle.



What are the duties of your civilian establishment in headquarters. What I am getting at is this: Can you roughly give the number of stenographers, for instance, or the clerical staff, and what do they do. Why do you need 5,000.

Mr. DRURY: Well, I can detail in either great or lesser detail the strengths of the various branches of the department in Ottawa. I may do that, and then you can ask further details.

The CHAIRMAN: Perhaps I have not made my question quite clear. Am I right in assuming that the authority over district offices is centralized very closely in Ottawa.

Mr. DRURY: That is correct.

The CHAIRMAN: Does that mean that if someone in Winnipeg or Vancouver, in your district office there, wants to do something, that his authority, his individual responsibility is very circumscribed and that the decision comes ultimately to Ottawa.

Mr. DRURY: If it is a question of establishing a new classified or continuing position for a civilian employee.

The CHAIRMAN: That is not what I am getting at. I will illustrate. I remember during the war an occasion when a little difficulty arose in Winnipeg that should have been settled there. I had to get the file and look after it. It was a file probably an inch thick or more of communications passing from Winnipeg to Ottawa and to and from other places, and that office could not take the authority to do what was required to be done. Now that is what I mean by centralization. The great difficulty with Government administration is a tendency to centralize everything at headquarters instead of putting the responsibility on the fellow outside and seeing that he discharges his responsibility. What I am getting at, does not that build up an immense amount of paper work.

Mr. DRURY: That is correct, it tends to.

The CHAIRMAN: As a matter of fact does it? You say it tends to, but does it?

Mr. DRURY: It does if you are going to accomplish anything. We have been endeavouring to decentralize various authorities. Now, I mentioned one in respect of casual employees, the numbers and types of casual employees which a man in the field may employ is for his determination provided he accomplishes it within a financial ceiling. At one time I think he may have had to come to Ottawa for approval of the various numbers and types. Now, he is told to do the job for a certain amount of money and the organization of it is left to him. Now, that decentralization applies in varying degrees to the different functions, but under the Civil Service Act the authority with respect to Civil Service positions resides in the Civil Service Commission, and this must all be done in Ottawa.

The CHAIRMAN: I am not questioning that.

Mr. DRURY: Where the authority in its final terms lies within the Department of National Defence itself, we try and work towards a policy of placing both authority and responsibility on the man in the field to do the job and perform in Ottawa rather the auditing and inspection functions.

The CHAIRMAN: In these establishments you have throughout the country, for instance, let us say airfields, there are a great many amenities in the way of housing and schools and perhaps skating rinks and auditoriums where pictures can be shown. When housing is built I know in Winnipeg for instance of several hundreds of houses having been built both at Stevenson Field for the Air Force and at Osborne Barracks for the Army—are they built by the Central Mortgage and Housing Corporation?

Mr. DRURY: They were built by contractors.

The CHAIRMAN: I mean, once you have put your request in for these amenities, is it the responsibility of Central Mortgage and Housing Corporation to provide them?

Mr. DRURY: That is correct.

The CHAIRMAN: And they provide them by calling on contractors to tender.

Mr. DRURY: That is correct.

The CHAIRMAN: Does that apply all over the country?

Mr. DRURY: Yes.

The CHAIRMAN: Take a point like Macdonald, which is twenty miles or so from Portage la Prairie. You have there quite an establishment of houses and one thing and another. What will happen when the need for the Air Force disappears, or is greatly reduced?

Mr. DRURY: This is one of the things that worries us all the time, and it applies not only to the houses at Macdonald but the other buildings too. What will happen to them? What will they be used for if we do not have an Air Force any more? There is obviously no easy answer to it.

The CHAIRMAN: I quite recognize that.

Mr. DRURY: And, conscious of this problem, we have tried to go slowly on the provision of married quarters and amenities and keep them down to the minimum number needed to make the station function. We have found that if a man is offered permanent separation from his family as part of the price of entering the forces, he will not enter; and you have to contemplate making it possible for him to live for a substantial part of the time with his family; and if there were no married quarters there would of necessity be almost continuous separation. Somewhere or other between being continuously and permanently together and continuously and permanently apart you have to strike a balance, and we hope that, by not going too far in one direction or the other, we will achieve just about the best that one can under the circumstances, recognizing that if the need for an Air Force or an Army or a Navy disappears, there is going to be a big physical plant across Canada for which immediately there will not be any use.

The CHAIRMAN: In a case like Winnipeg, for instance, the plant could be utilized by civilian interests.

Mr. DRURY: Stevenson Field and Osborne Barracks, it could be.

Senator LAMBERT: Is not that problem you are raising analogous to what actually existed after the war in connection with Munitions and Supply and Wartime Housing?

Mr. DRURY: That is correct.

Senator LAMBERT: And all over the place; but somehow or other, demands soon used up the slack. I think the same thing would happen again.

The CHAIRMAN: The problem is to get it in the right perspective, I think. I recall, for instance, an advertisement in the Winnipeg papers having to do with landscaping at Macdonald Airfield; and the question was raised—there was something about shrubs and that sort of thing—casually, “Well, why do they need that out there, and so increase our taxes?”.

Mr. DRURY: Well, I think if you yourself had an opportunity of looking at the establishment at Stevenson Field, the married quarters, you would agree that there is not a superfluity of trees or shrubs.

The CHAIRMAN: I was speaking more of this incident at Macdonald. This particular advertising called for that.

Mr. DRURY: Well, the same would obtain at Macdonald. There is a scale of provision of soil conservation arrangements, including the shrubbery, in connection with all these married quarters which C.M.H.C. have worked out, and they are the ones that they have applied to ordinary developments they undertake on their own account for civil use and civil exploitation, and do the same thing for National Defence.

The CHAIRMAN: You do not need to answer this unless you wish, Mr. Drury. I think there is a feeling that the armed services look forward to an indefinite period of engagement. This is their business in life, and they look to an indefinite period of employment in that business, and consequently their natural tendency is to provide as good facilities as possible. I am not asking you to answer that.

Mr. DRURY: Well, what you have described to me is human nature, and I would be the last to deny that the services are human,—or rather, that they are inhuman.

Senator HAWKINS: That is a good answer.

The CHAIRMAN: All this, gentlemen, simply illustrates the great difficulty that Mr. Drury must have, because after all he is a sort of general manager of the whole Defence establishment, in administering this new and very huge machine. However, I do not think I should ask any more questions of Mr. Drury. You have been very good, Mr. Drury, and very obliging to the committee, and I wish on behalf of the committee to thank you for your trouble in coming over here. Should we want you to come again, I have no doubt you can oblige us.

Mr. DRURY: I would be glad to, sir.

Senator BAIRD: One thing that worries me more than anything else regarding these armed forces is what is this so-called Reserve Army. It is, in Newfoundland, a farce. This is an expenditure that is absolutely, as far as I can see, unnecessary. It just does not serve a function. It does not parade, it does not act, it is just *non est*. Do you find that prevalent throughout other cities or provinces—that the Reserve Army is not what it should be, and is a big unnecessary expense? At least, you would not admit it is an unnecessary expense, but a big expense?

Mr. DRURY: I am not sure, Senator Baird, that it is, relatively speaking, a big expense.

Senator BAIRD: You may have a different idea of money than I have.

Mr. DRURY: These things are relative. Personally, to me, \$100 means a lot of money, but in an examination of the Estimates for the Department perhaps \$100 does not loom quite so large.

Senator LAMBERT: Is not the real answer to the question the necessity for the army? To my way of thinking the question of cost is a secondary consideration if you insist that conditions are such that you must have a reserve army.

The CHAIRMAN: I think we can dismiss Mr. Drury now and we may call him back again. Thank you very much, Mr. Drury.

The other day some information was asked of Mr. Nelson, one of the Civil Service Commissioners. He is here now and perhaps he can present that information to the committee so that we will have it on record. We will not ask him any questions on that information today.

Mr. NELSON: Mr. Chairman, I have here some lists of staff strength of the Federal Government in which the prevailing rates are separated from the classified. I have also lists of the hours of work of federal civil servants



depending upon the type of their employment. This information was requested by Senator Connolly. I will have these lists circulated to your committee members.

The CHAIRMAN: Thank you very much. We will look this information over and we may ask you further questions on it.

The committee adjourned until Tuesday, May 24th at 11 a.m.

OTTAWA, Tuesday, May 24, 1955.

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1956, met this day at 11 a.m.

Senator Crerar in the Chair.

The CHAIRMAN: Will the committee come to order, please? The only witness we have this morning is Mr. Nelson, who is one of the Civil Service Commissioners, and who presented some data in reply to requests for information at our last sitting. I think Mr. Nelson desired to give an explanation of this data, or to give some additional information to the committee. I had endeavoured to get together a meeting of the steering committee but was unable to do so because members had taken advantage of the holiday week-end to visit outlying points. There will be a meeting of the steering committee this afternoon at four o'clock so that we can decide what the next step in our inquiry will be. I have already taken it upon myself to ask some of the departments for some information which will meet with the approval of the committee and can be used if needed, or otherwise.

Now, Mr. Nelson you gave the committee some data the other day in response to a request, and you mentioned to me that you would like to explain it or elaborate upon it. You have the floor now.

Mr. S. G. NELSON (*Civil Service Commissioner*): Well, sir, I have not too much to say, but I did think that in view of the objectives of this committee it might be well if I would devote a few minutes to a description of the activities of our Organization Branch, which has been mentioned previously and which is responsible for the organization of the Civil Service, changes in organization, the classification of individual positions, the allotment of a proper pay scale to individual positions; and I also wish to refer particularly to a specialized service in the Organization Branch known as the Operations and Methods Division, which has now been in operation for about seven years, starting in a small way in 1946, and going on since that time. In so far as the organization branch proper is concerned—that is, the officers who are concerned with organization and classification—the members of the committee are already aware of the procedure whereby departmental requests are passed to the commission, and in turn to our organization branch for report. I would not like the members of the committee to think that the action taken on these requests or recommendations is in any way routine or simply constitute concurrence in the requests.

Actually, during the past year refusals of requests to make recommendations to the Treasury Board, the modification of certain requests, the downward classification of other requests, and the savings that have accrued from the individual reports of our investigating officers have avoided the spending of approximately \$3 million, which would have been involved had these requests been met in full. Over the years that amount grows very large; over the past few years the total I think is in the neighbourhood of \$60 million.

Senator CONNOLLY: How many years?

Mr. NELSON: Since 1938, the statistics indicate nearly \$65 million. That indicates that in some measure these requests are carefully scrutinized.

Senator KING: That is requests from the departments?

Mr. NELSON: From the departments, yes.

I would like to refer to the activities of our operations and methods division. The work done is that similar to a commercial firm of efficiency engineers. It is a developing service. It is difficult to get and retain good men, but we now have a sound nucleus of staff. We have already added several, and during the year we will add about ten men to the quota of last year. The figures of saving for 1954 may not appear too significant in relation to the other figures I have given you, but the actual savings involved during the year through an improvement in methods, better ways of carrying out the operations, elimination of paper work and that sort of thing, from this fairly small group, resulted in an actual saving of approximately \$250 million and a potential saving of the same amount. These are savings which result from changes and improvements in operation and methods of departments. Of course those savings made in any one year would carry on through later years, and continue until the need for some change is indicated.

This is a service that is given on request from the departments; that is, we do not step in and say we are going to look at this or that. Rather, a department will say to us, "Will you look over our purchasing and stores division, or at our central registry and see what you can do to improve it?" The demands for that kind of service are growing and necessarily our staff will have to expand to meet those demands, because it does seem that the service is worthwhile.

Senator HAIG: Mr. Chairman, I have a question to ask, and with your permission I will put it now. I admit that I have been under a great misapprehension, and that my ignorance of the work of the Civil Service Commission was greater than I thought it was. I was surprised to learn, Mr. Nelson, that when a position becomes vacant and applicants are advertised for, they are then referred to your department.

Mr. NELSON: That is right.

Senator HAIG: And that you get together people who are experts in the line of work with which you are concerned, and you reduce the four or five applicants to two or three and finally decide on the one man you want to choose. Has that been general procedure for some time?

Mr. NELSON: Of course there are two steps—first there is the authorization for the position which has to be covered. In the matter of appointments, every position is advertised.

Senator HAIG: Yes, I know that, but when you get answers to that advertisement, what then becomes of the applications?

Mr. NELSON: An examining board is set up within the civil service commission on which the department is represented and on which very frequently we have an outside expert. They go over the group of applicants which is usually considerable, and they eliminate those who obviously appear to be unqualified, and narrow their selection down to a reasonably small group; this group will no doubt be subject to an oral examination, which means they are called in before the board. If it is a dominion-wide application, the board travels out throughout the country.

Senator HAIG: Who appoints that board?

Mr. NELSON: The Civil Service Commission; we are responsible for effecting the selection, but we think it proper and wise to have represented on these boards the department representative under whom the man is going to work, and an outside expert.

Senator HAIG: Is the department ever represented on a board by the Minister of Public Works?

Mr. NELSON: Yes.

Senator HAIG: You would have chosen him as the representative?

Mr. NELSON: Actually we would not have chosen the Deputy Minister, but would have asked that somebody representing his department be chosen. This case you have in mind, I assume the Deputy Minister felt the position was of such a nature that he should attend.

Senator HAIG: And then that board reports to you does it not?

Mr. NELSON: That is right.

Senator HAIG: Following which you make the recommendation.

Mr. NELSON: They really make a recommendation.

Senator HAIG: But you confirm it?

Mr. NELSON: We confirm it.

Senator HAIG: That is all I want to know, thank you.

Senator KING: Mr. Nelson, the Civil Service Commission has a very large staff now. How does your department recruit its staff? Do you go through the procedure of examination?

Mr. NELSON: We follow exactly the same procedure in the case of recruitments to the Commission staff as to the departments generally.

Senator KING: Does your chief select staff through examination in your own department?

Mr. NELSON: Are you thinking of appointees from the outside or of promotion inside the Commission?

Senator KING: By promotion or from the outside, either way.

Mr. NELSON: Well, in the case of promotion within the Commission a group of examiners is convened and they report upon the relative merits of the persons who apply for the job. In the case of those coming into the Service from the outside an examination for entry to the Service is held, and the Commission is represented by one or more examiners and we also have an expert from outside to assist in making the selection. I might say in that case there would not be a departmental representative because we would be the department.

Senator KING: You of course would be represented.

Mr. NELSON: Yes, and we would bring in outside assistance to help us in making the selection.

Senator KING: Is that procedure followed as well as for the minor as for the senior positions?

Mr. NELSON: The very junior level is filled from an eligible list common to all departments, that is clerks, stenographers, and it might be that junior technical officers would be selected in that way too, but when it is a question of the Personnel Selection Officer or the Organization and Classification Selection Officer type of position, at that level the competition procedure is followed and we examine the applicants who merit final consideration.

Senator KING: The Commission is composed of three Commissioners?

Mr. NELSON: Yes.

The CHAIRMAN: Mr. Nelson, perhaps you will now continue with the statement that you were in the course of making. I would suggest to the members of the committee that we wait until Mr. Nelson is through with his presentation and then ask questions.

Mr. NELSON: As a matter of fact, Mr. Chairman, there is not too much more that I want to say on that particular phase of the work. As I pointed out



originally I thought that would appeal to the committee in view of its purpose of effecting economies and increasing efficiency. I would be glad now, Mr. Chairman, to answer any questions that the senators may have.

The CHAIRMAN: Well, I have a few questions to ask. You spoke, Mr. Nelson, of an Operations and Methods Division within the Organization Branch of the Civil Service Commission. Could you explain a little more clearly just what function or duty the Operations and Methods Division carries out?

Mr. NELSON: Yes, I can think of one specific instance: They carried out a survey of the Purchasing and Storage Division of the Royal Canadian Mounted Police which involved a complete revamping of their inventory system and setting up of new systems of records and that sort of thing. As I recall, the actual immediate saving which was effected through that service was \$157,000, in that one operation. There was a lot of obsolete material—records and that sort of thing; and steps were taken to clear that out and keep it cleared out.

The CHAIRMAN: Have you any opinion to offer as to why they did not correct this themselves?

Mr. NELSON: Well, I think people who are pretty close to a job become accustomed to doing it in the same fashion, and I think a fresh outlook is helpful. I could give you some idea in more detail of the sort of jobs that have been carried out.

The CHAIRMAN: Another question occurs to me, Mr. Nelson; would you agree that it is important and good administration to have responsibility definitely fixed?

Mr. NELSON: Oh, yes.

The CHAIRMAN: You would agree with that?

Mr. NELSON: Yes.

The CHAIRMAN: Does this work that the Civil Service Commission do through its operations and method division have a tendency to weaken that, do you think? Will the departmental officers who should carry the responsibility endeavour to shift it off on the Civil Service Commission?

Mr. NELSON: I would not think that is a serious danger. Actually these reports are made on a confidential basis to the Deputy Minister. They are discussed; there is nothing final about the thing in its original form, and the Department may or may not, as it sees fit, implement all or only a portion of the report, and the rank and file need not necessarily know where the changes are emanating from—whether they are from the Commission or from the Department.

The CHAIRMAN: In other words, the Deputy Minister may get an idea that things are not going right in the Department somewhere but he can't put his finger on it, so he calls in experts, in the person of the Civil Service Commission, and they make a diagnosis and suggest a remedy.

Mr. NELSON: Yes.

The CHAIRMAN: What effect has that got on the Deputy Minister, who is the administrative officer?

Mr. NELSON: As I indicated, this is a voluntary service. We do not write a Department and say "We want to go into this and we want to go into that"; we wait for a request which comes from the Deputy Minister himself.

The CHAIRMAN: Please do not misunderstand me. I am not criticizing, at the moment, the Civil Service Commission for setting up an operations and method division. What I am trying to get at is the effect on the staff in the Department.

Senator LAMBERT: Well, Mr. Chairman, how would you expect the Chairman of the Civil Service Commission to throw any light on that question?

The CHAIRMAN: Because they are experts on this.

Senator LAMBERT: Well, they are not responsible.

The CHAIRMAN: I quite agree.

Senator LAMBERT: What you are really asking, if I may say so, is what kind of a bird is a Deputy Minister of any Department; and that is not up to the Chairman of the Civil Service Commission.

The CHAIRMAN: That was not the question I asked.

Senator HAIG: This sort of thing is done in business. There is a firm in Toronto that gives this sort of service. For instance, one of the department heads in the city hall in Winnipeg asked for this service. He said that he wasn't getting anywhere with his staff. He had some ideas as to where the trouble lay but he was not sure his suggestions would be accepted, so he called in this Toronto firm and they made an investigation and report as to where the trouble existed.

Senator LAMBERT: If that is the situation then I want to say there has been a vast change in a few years in the character of the deputies that are running the departments of government in this country.

Senator HORNER: If what has happened?

Senator LAMBERT: If it is necessary for deputy ministers to defer this type of problem to the Civil Service Commission. I say if that represents the situation today then there has been a vast change in the character of the deputies that are running the administrative end of these departments.

Senator KING: I wanted to interject here, Mr. Chairman: is it essential and necessary under the Act for the deputy to go to the Civil Service Commission? Is he not at liberty, with the consent of the government, to go outside and ask somebody to come in and look his department over?

Mr. NELSON: Yes, and that has been done. This service is given only on request of the department.

Senator BAIRD: Do I understand you are building up a staff of what we might call efficiency experts?

Mr. NELSON: Yes, and training specialists in various lines.

Senator BAIRD: And they will be capable of going into any department and, shall I say, putting it in proper order?

Mr. NELSON: That is the idea.

The CHAIRMAN: What salaries do you pay efficiency experts?

Mr. NELSON: The director of the branch who, by the way, is an industrial engineer, gets about \$8,000, and in general the rank and file run from \$4,000 to \$7,000.

The CHAIRMAN: Your efficiency expert gets \$8,000. What does the deputy minister of a department get?

Mr. NELSON: Their salaries range from \$15,000 up.

The CHAIRMAN: If a deputy minister, who is getting \$15,000 a year, comes to the conclusion that something is lacking in his administration and calls in efficiency experts from the Civil Service Commission, they examine the matter and makes certain recommendations. I mean, if he puts the recommendations into effect and improvement does not take place as the result of that, and the expense still continues to grow, would he be inclined to blame the Civil Service Commission for the failure?

Mr. NELSON: Well, even though he himself prescribed the terms he would think it was a pretty poor job, without that sort of experience.

The CHAIRMAN: I know it is very difficult to get that sort of experience, but the difficulty may nevertheless be there.

Mr. NELSON: Well, this is a continuing process, it is never static, and if the show is not functioning as it should after the first go at it, I would assume the deputy would say it would be a good thing to go and have a look at it again.

The CHAIRMAN: Another point I would like to clear up in my own mind—it may be clear in the minds of the other members of the committee, but in a department that has a staff under a deputy minister—and I think most of them have assistants now?

Mr. NELSON: Yes.

The CHAIRMAN: And if they conclude that they want to bring some employee from one sector of your service to another sector, I understand they can do that if there is no increase in salary involved?

Mr. NELSON: Yes.

The CHAIRMAN: Without reference to the Commisison?

Mr. NELSON: Yes.

The CHAIRMAN: But if there is an increase in salary involved then they cannot do it without the approval of the Commission?

Mr. NELSON: That is correct.

The CHAIRMAN: And in that case you have a promotional examination?

Mr. NELSON: That is right.

The CHAIRMAN: Now, the deputy, we will say, thinks this employee here would be the man to put over here, from one sector to another sector, involving an increase in salary of say \$50 a month, that is his judgment from his survey and knowledge of his staff, which he should have if he is any good, but he cannot do that without the promotional examination?

Mr. NELSON: That is the situation.

The CHAIRMAN: Is that right?

Mr. NELSON: That is right.

The CHAIRMAN: And in the promotional examination it may be that the man that he wished to move from sector A to sector B remains in sector A?

Senator KING: He may. On the other hand, he may not get through.

Mr. NELSON: Not very frequently, Mr. Chairman, but there have been such cases.

The CHAIRMAN: Well, in that case the judgment of the Deputy Minister is overridden by the Civil Service Commission?

Mr. NELSON: Yes, but with due deference to your remarks, Senator Crerar, about the Deputy Minister having an over-all knowledge of the personnel of the department, I think in practice his judgment would be governed by the recommendations from subordinate officers. I do not think he would in most cases, except in the higher posts, make recommendations out of his own knowledge.

The CHAIRMAN: Well, if I were the Minister under those circumstances I would feel a bit resentful, Mr. Nelson.

Mr. NELSON: If I may, I would like to make this point, that in the case of these promotional examinations the ratings from which the promotion is effected are made by officers nominated by the Deputy Minister of the department, that is, departmental officers, and it is only the final sanctioning of the result that requires the attention of the Civil Service Commission.

Senator KING: In other words, when you have a salary increase the field is open?

Mr. NELSON: That is correct, Senator.



Senator KING: And the deputy may have in mind that he would like a certain man in a position, and the fact that he has the support of the deputy will help that individual, will it not?

Mr. NELSON: Oh, I would think so, definitely, if he has the support of his subordinate officers as well who recommended this particular individual.

The CHAIRMAN: When you have a promotional examination, can you tell us what that examination is based on—what are the factors that you use to reach a decision?

Mr. NELSON: Well, we might look at the promotion procedure first. There are three primary factors there. One is seniority, which plays a very small part, a very small part. The other is the records and reports as to the efficiency with which the various applicants are performing the duties of their present posts. Then the third, and most important factor, is an appraisal of the suitability of the individual for advancement to the higher post.

The CHAIRMAN: How do you judge?

Mr. NELSON: The first thing would be to look at the higher position and determine from the class description the points of importance to be observed, that is, to the major portion of the work of the higher position to see that the individual has been performing at least related duty, that he understands the requirements of the higher post, and that on the personal side he is perfectly fitted to carry them out. It might be implied that he is performing a fairly routine job, that the next step up requires supervisory duties. An attempt would have to be made to determine whether the several candidates, even though they are thoroughly qualified in their present position, would meet the added requirement to direct and run a staff in the higher position. But basically, performance in present position is the guide, with due regard for the different requirements involved in the higher position.

The CHAIRMAN: How do you rate personality in these examinations?

Mr. NELSON: Well, that is a very difficult matter.

The CHAIRMAN: Would you agree that it is a very important matter?

Mr. NELSON: Oh, very important, very important, but I think the experts are scarcely agreed as to how that can be accurately assessed. We would like to say it is purely objective. I suppose, though, that in all truth it is—

Senator HAIG: Generally, one question determines it all. If you have been in on office like I have where I did the staff hiring for 18 years, generally I would ask the applicant one question—I can't tell you what the question was, but it would be just the term which would decide. It always happens in every inquiry you make, some place during the interview there is a vital question. For instance, a young man got appointed here the other day, and the vital question was asked, "Would the people you are working for now allow you to leave?" And the answer was. "I don't know, if they won't, I won't leave." And that got him the job—just the answer to that one question. I admit he had the qualifications—I admit all that, but they certainly wanted to know that he would stick with them if they put him on. I take it you find it the same in those examinations as to personnel?

Mr. NELSON: Yes, I think that is true, and of course some individuals have more of an intuitive quality than others—they are better at that sort of thing, but as you say, senator, I think that is the experience, it often happens that the answer to one question determines it.

Senator HAIG: For instance, if a stenographer applied to you for a position and you wanted a stenographer, and the question she asked you was this, "But Mr. Nelson, if I take this position will I be sure I will get shorthand and type-writing to do and not be put on as a filing clerk?" What would you think of her—you would want to get her?

Mr. NELSON: As a stenographer.

Senator HAIG: Of course.

The CHAIRMAN: How do you rate academic standing? I notice advertisements for applicants for positions, I think in the great majority, require them to report as to their academic standing.

Mr. NELSON: Well, depending on the type of position. If it is a professional or technical position we prefer to secure university graduates, and university graduation is mandatory in the case of what we call the junior administrative officer, that is, young chaps coming out of university to be trained in the processes of government, graduation is required there; and it is quite important in External Affairs where graduation is required; in all engineering, agricultural and professional classes, generally, university graduation is required.

Senator LAMBERT: Is any language requirement needed in connection with those tests?

Mr. NELSON: Generally speaking, language requirement is involved only when the department reports that a knowledge of a language is required, that an additional language is required.

Senator LAMBERT: In other words, the bilingual factor is not a common factor in connection with the—

Mr. NELSON: No. As you will appreciate there are a great many positions where knowledge of both French and English are required. There are positions in External Affairs where a knowledge of an additional language is an asset, but that is the exception rather than the rule.

Senator LAMBERT: Is it increasing at all, that is what I want to get at?

Mr. NELSON: Not in the immediate past; I do not think there has been any particular increase in the immediate past.

Senator LAMBERT: That is, the departments that have the special need for special qualifications are the same as they have always been?

Mr. NELSON: Generally speaking, yes.

Senator LAMBERT: What do you mean by "generally speaking"?

Mr. NELSON: Well, actually we are governed in examining for language qualifications by the indication given by the department at the time of making requisition. Now, I would not say that there is not some increase in the need for additional language qualifications. I would assume that in certain of the outlying areas which are now being built up there is more necessity perhaps for both languages.

Senator LAMBERT: Take the External Affairs Department, I don't know, but I assume that bilingual qualification is essential there?

Mr. NELSON: No, not essential, Senator Lambert. It is desirable that some of those who secure appointment to that department each year should have French, or Spanish, or some other language, but that only applies in some cases, not even to certain positions, but it is desired that some of those appointed should have this additional language facility; and, as a matter of fact, if they do not possess knowledge of another language the department encourages them to develop their knowledge of another language.

Senator HORNER: Have you any special branch where encouragement is given to apt students to take up many foreign languages similar to that done in the Old Country, where young men are specially trained for the diplomatic service? I understand that Anthony Eden can get along in seven or eight languages.

Mr. NELSON: Actually I think students in the Old Country largely acquire their knowledge of languages at university. We have training classes in many

departments for employees in the French language; however, this is purely voluntary and is an after-hours course to meet the wishes of more employees to become bilingual.

Senator HORNER: I would think the need for acquiring languages would increase because of the additional ambassadors and representatives being sent to foreign countries. I should think they would be of much greater value if they understood the language of the country to which they were sent.

Mr. NELSON: Certainly.

Senator BAIRD: In connection with this efficiency department which you have started up, do you think it would be a good idea if it were compulsory for every department to have an efficiency expert call on them and go through their department every once in a while?

Mr. NELSON: All I can say in that respect, Senator Baird, is that I am a little dubious about compulsion at this stage. However, there has been a great increase in the demand for that service; in fact, we have not been able to meet all requests. We could not do any more until we get more staff trained and developed to do it.

Senator BAIRD: You think it is better to establish an efficiency service within the civil service than outside the service, do you?

Mr. NELSON: I think it is more economical.

Senator BAIRD: That is what I wanted to know.

Senator LAMBERT: What does Senator Baird mean by "efficiency"?

Senator BAIRD: It is hard to define. We are speaking of course of the civil service—

Senator LAMBERT: It has been said that efficiency was knowing all about the machine except what it was for.

Senator BAIRD: I am not inclined to admit that altogether.

Senator LAMBERT: I think there is a good deal of truth in it; there is a tendency to over-do efficiency.

Senator GERSHAW: Mr. Chairman, page 3 of this document deals with the Indian Health Service. Could Mr. Nelson tell us what officers are under the civil service act and what officers are exempt?

Mr. NELSON: Ward aids and kitchen help are definitely exempt, as are hospital nurses in the Indian Affairs Branch.

Senator GERSHAW: What about medical officers?

Mr. NELSON: No, they are appointed through the commission.

The CHAIRMAN: Have you any difficulty, Mr. Nelson, in recruiting for the service?

Mr. NELSON: Yes, in certain classes; particularly professional and technical.

The CHAIRMAN: That is, especially engineers.

Mr. NELSON: Engineers and also qualified help in the telecommunication service of National Defence. It is awfully difficult to get radar people and that sort of qualification.

The CHAIRMAN: Technically trained.

Mr. NELSON: Yes, for the most part technical.

Senator CONNOLLY: Why is that so, Mr. Nelson?

Mr. NELSON: I suppose it is due to the industrial demand at the present time for persons with that sort of qualifications; there is a general shortage of professional and technical help in many specialties.

Senator CONNOLLY: Do you say that technical schools are not turning out students in large enough numbers?



Mr. NELSON: Well, if you mean the universities—

Senator CONNOLLY: The technical schools and universities both—and I am not being critical of them.

Mr. NELSON: The technical schools do not turn out men who are qualified to assume professional responsibility; they come in as junior technicians.

Senator CONNOLLY: Are they in adequate supply?

Mr. NELSON: There is not too much difficulty in that field; it is more in the professional classes where there is a great shortage, particularly amongst engineers and architects.

Senator HORNER: What is the situation in the United States in that respect? Do they have a great number of specially trained men for this type of work?

Mr. NELSON: I think the same situation prevails there; the situation is, I believe, pretty general. However, we did have some alleviation during the past year by recruiting in Britain, where we secured something between eighty and a hundred and twenty additional engineers, architects and such help.

Senator CONNOLLY: Will there be a continuing demand for people with that training?

Mr. NELSON: Yes, Senator Connolly.

Senator CONNOLLY: In other words, there is an opportunity for young men who are interested in that field, not only within the civil service, but perhaps you might say outside the service.

Mr. NELSON: I think there is almost unlimited opportunity at the present time for such graduates.

Senator GERSHAW: What is the situation with respect to veterinary surgeons, such as meat inspectors?

Mr. NELSON: It is not quite as difficult as it was several years ago. I recall three or four years ago we had the principal of the Veterinary College at Guelph down at the commission to discuss the possibilities of getting additional veterinary surgeons. But just at that time they had lengthened their course from four to five years, and that presented some difficulties. As a matter of fact, the situation is not quite as difficult as it has been, partly because of the number of displaced persons with training in the veterinary sciences who are being utilized in the junior grades.

Senator HORNER: And some of the provinces contributed some money to the veterinary students. I know the province of Saskatchewan did.

Mr. NELSON: Yes, but there is still a shortage.

The CHAIRMAN: I would like to ask one question, which might be regarded as hypothetical. Would it be possible for an ambitious young man to start as an office boy in one of these departments, with not more than a good common school education, and rise to the position of deputy minister.

Mr. NELSON: Yes, there would be no arbitrary restriction.

The CHAIRMAN: Of course you do not select the Deputy Minister, but it would be possible for him to rise to a high administrative office.

Mr. NELSON: Yes. As a matter of fact I mentioned a few minutes ago this junior administrative officers course. We take in a number of such persons each year for that course; they are university graduates, and they take a course of instruction through lectures given by men from different branches of the service who discuss various features of the administration. Concurrently with that we open up an examination for persons already in the service, who can be admitted to a similar course and given the same opportunity of undergoing training. It is true that the prerequisite for the course is a university

training, but it is not essential that a man should have any more than a secondary education to advance right up the ladder, if his performance merits it.

Senator GERSHAW: Is there a demand for medical officers in the department?

Mr. NELSON: Yes, it is very difficult to get enough doctors.

The CHAIRMAN: In the Indian Health Services, as I recall, there are some 50 doctors or something like that. How are those doctors recruited?

Mr. NELSON: Through the Civil Service Commission, by advertisement.

The CHAIRMAN: Is there any dearth of applicants for those positions?

Mr. NELSON: We have had. In the hospitals under that branch of the Department of National Health and Welfare, tuberculosis is a point of difficulty, and it is a matter of getting an expert in that field, or an expert in the field of glaucoma or some other specialty. Overall, the difficulty in securing any other medical officers for the general service is fairly great.

Senator GOLDING: What is the average annual income of industrial engineers?

Mr. NELSON: I suppose it depends on the experience the man has had. I would think that men who are doing the sort of work that our men are doing are paid considerably more in industry than we are paying.

Senator GOLDING: That is what I would think.

Mr. NELSON: As a matter of fact we have had several men come to us from commercial companies, and in some cases we concluded that we had gotten them because they were not a complete success where they were so we are very careful now in taking anyone who is willing to leave an industrial company, because his opportunities there are somewhat greater than with us.

Senator GOLDING: A feature that would strike me as peculiar is this, that you have an industrial engineer at the head of this efficiency committee you spoke about, to whom you are paying \$8,000. Well in the first place I think that the average industrial engineer would earn much more than that and his opportunities for increasing his earnings would be much greater if he continued to work for a private company rather than being tied up with such a position in the Civil Service.

Mr. NELSON: I think that is right.

Senator GOLDING: And the next feature that strikes me is that you have an efficiency expert to whom you are paying \$8,000 whose function it is to tell a Deputy Minister I think you said, who is paid something like \$15,000 a year, a man who is supposed to be efficient—you have this efficiency expert telling him how to conduct business in his department. Well, to say the least, that strikes me as being rather peculiar.

Mr. NELSON: I see the point you have in mind, Senator Golding. Again I say that the department requires the services this man is able to give. Now, I have no doubt he would earn more money outside the Government service. As a matter of fact when he came to us he indicated he did not think he would stay very long, but I think he is enjoying building up the service, he is enjoying Government work, and there are some people who would rather work in the Government than work outside.

Senator BAIRD: And I presume he has prospects of increasing his remuneration?

Senator CONNOLLY: Do you have much difficulty in recruiting staff because outside remuneration is higher than what the pay is in the service?

Mr. NELSON: I think there has been an improvement in that respect recently, Senator Connolly. I think rates in the service compare much more favourably than they did with outside remuneration and I think it is becoming ever more apparent that there is a stability in Government service that does not exist outside.

Senator CONNOLLY: Does that apply both to lower paid positions relatively speaking and to the higher paid positions?

Mr. NELSON: It is not as true at the higher levels because I do not think there is any very close relationship between the salaries that are paid executives in business who have the same sort of job as a man in Government. I suggest that very frequently the salary outside is at least twice as much as it is in the Government service, that is, the salary outside at higher levels is twice as much as it is in the Government service for positions with similar responsibility.

Senator KING: Would you not find this to be true; an engineer comes into the service and is paid a salary of \$5,000, whereas he would probably earn \$12,000 or \$15,000 outside but he has the advantage of coming to Ottawa, making a home here and living under very pleasant conditions. That in itself is a great attraction.

Mr. NELSON: I think that is largely the answer.

Senator CONNOLLY: That is very nice to hear, Senator King.

Senator KING: In addition to that of course there is the security involved in an appointment to the Service is there not?

Mr. NELSON: That is correct. A man of that type who comes into the service has the assurance of continuation of employment if he does a good job.

The CHAIRMAN: Are there any further questions?

Senator CONNOLLY: You referred, Mr. Nelson, to the rather remarkable savings that have been effected as the result of the operation of the Commission. Now, Mr. Deutsch was here the other day and he talked about the refusals that the Treasury Board had to make to proposals for increases in staff, increases in pay proposed by the various departments. Would you say that in addition to savings that you have made there have been as well savings made as a result of studies made by the Treasury Board?

Mr. NELSON: Well, the Treasury Board is responsible, as you know, for prevailing rate classes, with which we have nothing to do as to conditions of employment there. In so far as the service for which we have responsibility, I think that the number of cases where the Commission's recommendation would not be endorsed by the Treasury Board would be so small as to mean that no great saving would be involved.

Senator CONNOLLY: They do not have an appreciable effect then.

Mr. NELSON: I would not think so. Actually, Senator Connolly, they are more concerned with policy than the details of departmental administration.

Senator CONNOLLY: They never cut down establishments.

Mr. NELSON: I would not say that. On occasion they take the position that an individual position is not justified and even that a number of positions might not be justified, and as a matter of fact under this newly established control procedure Mr. Deutsch outlined to you the Treasury Board has a representative on that committee along with the Civil Service Commission so they are certainly pulled into that phase of the work.

Senator CONNOLLY: Perhaps henceforth then, all the savings will be effected jointly by the Civil Service Commission and the Treasury Board.

Mr. NELSON: Yes, certainly in a larger measure in the future.



Senator KING: My mind goes back to a few years ago to the time when a large number of people were employed by the Government—there were thousands in number—who on account of their classification were not eligible for pension rights and other privileges. Has that group been reduced very much?

Mr. NELSON: Yes, Senator King, it has been reduced. Each year we are making more of these positions permanent. Even temporary employees now, after a year's service, may contribute to the pension fund and in doing so acquire pension rights.

Senator BAIRD: What do you mean by a "temporary" appointment? Some of them are for years.

Senator KING: Steam-fitters?

Mr. NELSON: Many of these prevailing-rate people, that is tradesmen and the like, are purely temporary. But we issue two classes of appointment certificate. In general, the first certificate of appointment is what we call a temporary certificate. A man is put on, is maintained as temporary, for a year or two, or longer, until the Department in which he is employed decides definitely whether he is good enough to be kept, and if they feel he is good and they wish to keep him and he is performing work of a continuing character they recommend a permanent appointment.

Senator BAIRD: Some have been, I understand, on a temporary basis for years.

Mr. NELSON: That is right. That is explained in part by the fact that during the depression and the war years a quota was set whereby a certain portion of the Service must be maintained as temporary. That was removed a year ago, and we now are proceeding to process the recommendations for permanencies.

Senator BAIRD: If they are temporary, I presume you can let them go any time.

Mr. NELSON: Yes, Senator Baird.

Senator BARBOUR: In Public Works, the number of temporary employees is down by about 250, and the number of civil servants has gone up quite considerably,—in 1955.

Mr. NELSON: Yes. The fact that that Department took over the Trans-Canada highway would be one explanation of the increase of departmental strength.

Senator BARBOUR: But those exempts have been cut down between 1954 and 1955 by nearly 250 persons.

Mr. NELSON: There have been some studies made as to the numbers that are required for maintenance work, and I think that there has been some reduction in that respect, of cleaners, and that sort of thing. Another factor is that in certain cases an employee is moved from what is considered an exempt position to a non-exempt position, although he is still performing largely the same sort of duty.

Senator BARBOUR: The taking over of the staff of the Trans-Canada highway would include quite a few permanencies?

Mr. NELSON: Yes, I think about 150 employees.

Senator BEAUBIEN: Do all these people in the list that are exempt from the Civil Service Act consist of what are called temporary employees?

Mr. NELSON: Some of the prevailing-rate people are given permanent status, but I would think that the larger proportion is temporary.

Senator BEAUBIEN: Do all these temporary employees go through the Civil Service Commission before they become temporary employees?

Mr. NELSON: Not these prevailing-rate men; they are exempt, taken on by the Department concerned.

The CHAIRMAN: There is another question I would like to ask you, Mr. Nelson. When a Department wishes to expand its establishment, perhaps, in some branches of the Department, first they must make application to you. Then do your efficiency people or your personnel people go over and examine the situation in the Department?

Mr. NELSON: That is the usual practice. Our organization classification officers go over and look into the situation.

The CHAIRMAN: Do you recall any cases where you have said, "No; as far as this work is concerned you can get along with the staff you have got"?

Mr. NELSON: Yes. That is the explanation of these savings I have mentioned,—the refusal to honour the requests of a Department.

The CHAIRMAN: Does that happen pretty frequently?

Mr. NELSON: I think modification occurs quite frequently.

The CHAIRMAN: There is just one other question I would like to ask. If you do not care to pass an opinion on it it is quite all right. After the first war there was a regulation laid down that veterans, in their application for Civil Service positions, if they get their minimum of marks, were immediately put up to the top. I am correct in that, am I not?

Mr. NELSON: That is correct.

The CHAIRMAN: Would you care to venture an opinion on the effect of that over the years on the efficiency of the Service as a whole?

Mr. NELSON: I suppose, in theory, if the law provides that persons at the bottom of the list, those who barely qualify, can go to the top, it would be difficult to say there was not some loss of efficiency. But on the other hand, in the case of the positions that count, that is the higher positions, not custodial positions or lower-grade positions, the standard of qualification that is set, the examining standard that is set, is such that we are satisfied that any who qualify are competent to do a good job.

The CHAIRMAN: That is, there might be a fluctuation of perhaps fifteen marks, but within that range there is not much difference between them?

Mr. NELSON: They are all competent.

Senator CONNOLLY: It is a great advantage to the veteran, of course, to have that preference; and there is no impairment of the efficiency of the Service, I think you said before, because of the way it operates?

Mr. NELSON: Yes. If I were asked—and I have not been asked—my idea about the preference, I would express myself very positively; I think I will do it anyway. I think it is the least a grateful country can do to its ex-service men,—to give them a preference.

Senator CONNOLLY: I think Mr. Nelson has given us a very good understanding of what the position is for the Civil Service Commission in this matter of establishing grades and employing new people and transferring existing civil servants within the Service. We probably will have to make some inquiry as time goes on in this committee with reference to the responsibility of the Deputy Minister in that whole operation. We have also been told that within each Department there is some administrative officer who has the main responsibility for these personnel problems, if I may so style them. I wonder if Mr. Nelson would comment in a general way upon the function and responsibility the deputy minister has for that problem, and how far the responsibility of the head of the personnel section goes?

Mr. NELSON: I would suppose that the responsibility imposed upon the personnel officer would depend on two things. First of all, the attitude of the

deputy minister in delegating authority, and secondly the capacity of the individual concerned. In certain cases the deputation of responsibility for staff matters would be very considerable.

Senator CONNOLLY: With the personnel officer?

Mr. NELSON: Yes.

Senator CONNOLLY: But can he make the recommendation?

Mr. NELSON: Through the deputy.

Senator CONNOLLY: The deputy has to approve it?

Mr. NELSON: Yes.

Senator CONNOLLY: In other words, all these personnel matters must ultimately be channelled through the deputy Minister?

Mr. NELSON: In certain minor instances the personnel officer might sign for the Deputy Minister, but all matters of policy would be routed through the deputy's office to the Civil Service Commission.

Senator CONNOLLY: You would not care to make any comment on whether or not that technique is employed in large commercial and industrial organizations in Canada?

Mr. NELSON: My understanding is that in the large companies it very frequently happens the officer in charge of personnel is one of the vice-presidents.

Senator CONNOLLY: And it is his responsibility to look after that?

Mr. NELSON: Certainly his final responsibility. I do not know how great his immediate responsibility would be on matters of detail, but they do have a very high ranking officer in charge of personnel, generally speaking.

Senator CONNOLLY: The deputy minister in that connection is really in the position of the general manager of a commercial concern.

Mr. NELSON: I think that is a fair description.

Senator CONNOLLY: So that our deputies have this responsibility in addition to the other responsibilities they have for the operation of their department, while in commercial organizations there is a division.

Senator KING: Senator Connolly, I think we should realize that the deputy minister of the department is appointed by the government.

Mr. NELSON: Yes.

Senator CONNOLLY: And having been appointed by the government it is his business to administer as well as he can, and if he has any difficulty he goes outside or goes to the Commission.

Mr. NELSON: That is right. He is something more than a general manager of a company. The deputy minister, with the minister, is largely responsible for the formulation of policy as well as carrying out the administrative end of his department. The minister is governed by the advice he gets from his deputy.

Senator KING: If the minister and his deputy do not agree there might be trouble.

Senator CONNOLLY: The point I am after is this. These personnel problems are becoming greater and greater as time goes on because the country and the government is growing larger all the time. I just wonder whether you people in the Civil Service Commission give thought to the question of whether there should not be a division of authority to relieve the deputy minister to a greater extent from this personnel problem.

Mr. NELSON: There has been a suggestion—and this might be in line with your thinking, Senator Connolly—that the Civil Service Commission should



have representatives in every department in the same fashion that the Comptroller of the Treasury has accounting officers in each department, who report to him and not to the deputy minister of the department concerned.

Senator BAIRD: That would be lessening further the authority of the deputy minister?

Mr. NELSON: That is right, Senator Baird.

Senator BAIRD: Which I would not think would be good policy.

Senator CONNOLLY: You have really two problems. First of all, you have the problem of government representation with the minister ultimately responsible and the deputy carrying it out. That is inherent in the nature of government.

Mr. NELSON: Yes.

Senator CONNOLLY: Then you have the other problem of removing from the deputy minister burdens that in the commercial field have been removed from the chief executive officer and placed on the shoulders of a man as high as a vice-president, in the case of personnel problems, who will take final responsibility for this sort of thing for the efficient operation of his company. Could that system work here?

Mr. NELSON: I think in effect the system prevails at the present time. Actually in most departments, I guess in all departments, there is an assistant deputy minister whose primary function is to look after personnel matters.

Senator CONNOLLY: Yes, and sometimes there is more than one assistant deputy.

Mr. NELSON: Yes, but I think if there is only one assistant deputy minister he is expected to look after personnel and staff problems.

The CHAIRMAN: I think it is doubtful to draw an analogy between a personnel officer in an organization like the Ford Motor Company, and a personnel officer in any department of government. As a matter of fact, the personnel officers in these large commercial organizations today are mainly concerned with maintaining good labour relations, and when questions arise about increases in pay and seniority and all that sort of thing, their job is to discuss that with the labour unions. That is why the personnel officer in commercial and manufacturing organizations has attained the prominence he has. It is not apparent to me that the same quality of need exists in government departments.

Senator CONNOLLY: I think that is very true.

Senator HORNER: Yes. Furthermore, a personnel officer in the government is not only concerned with public relations and with staff problems, he is concerned with political relations. There are political appointments that are exempt from the Civil Service Commission. The number of these appointees has been growing steadily since 1933.

Senator KING: When a man gets into the Civil Service today he must go through a course of examination and once he is qualified and has been accepted his position is different than that of an employee in a commercial organization.

Senator HORNER: I would point out that the personnel employed by the Public Printing and Stationery Branch, who are exempt from the Civil Service Act, almost double in number those employees in the branch who come under the Act. As of February the 28th, 1955, those exempt from the Civil Service Act in that branch totalled 913, while those coming under the Civil Service Act totalled 469.

Senator KING: That is why I asked that question about temporary employees. But that number has been gradually reducing, and they are going into the permanent service from time to time.

Senator HORNER: Of course, if we could base efficiency among government employees the same as in an industrial organization, it would be different. An industrial organization has a vast advantage over a government, because the main thought in the employing of government clerks is political instead of efficiency.

The CHAIRMAN: Well, as a general proposition I would think it very unwise to in any way diminish or remove the responsibility of a Deputy Minister: If he is a good Deputy Minister he would resent it. If he is a poor one, he should not be on the job. And on this other question, Deputy Ministers have not as part of their function the making of policy; they can offer suggestions. I have had some experience in government administration, and I cannot recall a single instance where the Deputy Minister ever came and urged the particular line of policy on me. I can recall instances where I did say, "Well, now what would you think if we adopted this policy; what would be your judgment as to the administrative effects of it in the department?" But it is not the business of Deputy Ministers to make policy; it is the essential function of Deputy Ministers to carry out policy and administer. I repeat again that a good Deputy Minister would resent someone coming in and telling him what he should do, be he personnel officer, or anyone else, and if he did not resent it then I would say that he was scarcely qualified for his job.

Senator CONNOLLY: Mr. Nelson, do you think yourself, in your experience, that there might be greater efficiency if there was any greater delegation by Deputy Ministers on the staff problems?

Mr. NELSON: I think there would be some advantage in making available to the departments persons with more extensive experience in personnel work, perhaps than some of the departments possess. I have felt for a long time that if the Civil Service Commission had enough surplus staff so that it had a floating staff to train and make available to the departments—not under our jurisdiction, but as officers in the departments, there would be very great advantage in that system. However, we never seem to get enough to service our own needs, let alone service the needs of others. But I think the personnel staffs are improving. I think the quality of the staffs is improving. Only this week we have a conference of personnel officers discussing all the problems related to personnel work in the Service. That goes to show that there is an added interest in the development of personnel officers. I think the situation is improving, and I think that it will continue to improve.

Senator BAIRD: One thing I should like to say is this. People coming up from Newfoundland have found in the Civil Service very efficient people, and they have gone away with a very nice taste in their mouths.

Mr. NELSON: Nice to hear that, Senator Baird. I would like to add to that, too, the suggestion that many of the dollar-a-year men who served in the Civil Service during the war completely changed their views as to the efficiency and capabilities of the Civil Service.

Senator KING: I agree.

The CHAIRMAN: Any other questions? Thank you, Mr. Nelson.

Mr. NELSON: If there is anything further I can do, I shall be glad to do so.













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1955

THE SENATE OF CANADA

Government  
Publications



PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON

**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1956

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No. 4

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FRIDAY, JUNE 10, 1955

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The Honourable THOMAS A. CRERAR, P.C., *Chairman*

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WITNESSES:

Major General H. A. Young, Deputy Minister, D.P.W.; Mr. E. A. Gardner,  
Chief Architect, D.P.W.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1955.

## STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

### The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Stambaugh
Campbell	Isnor	Taylor
Connolly	King	Turgeon
Crerar	Lambert	Vaillancourt
Dupuis	*Macdonald	Vien
Euler	McDonald	Woodrow—(35)
Farris	Paterson	
Fraser	Petten	

\*Ex officio member (Quorum 9)

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, March 16, 1955.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1956, in advance of the Bills based on the said Estimates reaching the Senate; That the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. Moyer,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

FRIDAY, June 10, 1955.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.30 A.M.

*Present:* The Honourable Senators—Crerar, Chairman; Aseltine, Barbour, Connolly, Hawkins, Isnor, King, Lambert, McDonald and Quinn.—10.

*In attendance:* The Official Reporters of the Senate.

The Committee proceeded to the consideration of the order of reference of March 16th, 1955.

The following witnesses were heard and questioned:—

Major General Young, Deputy Minister, Department of Public Works, and Mr. E. A. Gardner, Chief Architect, Department of Public Works.

At 1.00 P.M. the Committee adjourned to the call of the Chairman.

Attest.

James D. MacDonald,  
*Clerk of the Committee.*





## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Friday, June 10, 1955.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1956, met this day at 11.30 a.m.

Senator Crerar in the Chair.

The CHAIRMAN: Gentlemen, shall we come to order? A few weeks ago the Department of Public Works supplied us with some data covering the amount of money spent in Ottawa and the surrounding district on public buildings which have either begun or been completed within the last five years. When that information was placed before the committee some members thought it would be useful to get some further information on these matters relating not only to these public buildings but possibly to others. As a consequence the Deputy Minister of the Department of Public Works, Major General Young, is here to answer any questions. The way is now clear for the bombardment on the General.

Senator KING: I should like to make a statement in a general way. As I understand it the Department of Finance indicates to the Government the revenue which will be available for expenditure. The Government then in their judgment indicate to each department the possible available fund, and then the various ministers make their representations to the Cabinet and from that point the matter goes to the Treasury Board. The ministers and officials of the various departments have to justify their requests for expenditures. Then after the matter has been dealt with by the Treasury Board it goes back to the Cabinet for further consideration. As I understand it that is the program followed in making up the Estimates. The procedure is somewhat different to what it was years ago. The Finance Department now makes an estimate and advises the Government. Years ago the departments made their own Estimates and took them to the Treasury Board. Today the Finance Department indicates the available fund. I think I am right in that.

General YOUNG: Before our Estimates are prepared we get some indication from Treasury Board as to the general scope of what our Estimates should be for the ensuing year. Last year we were told that by and large they would be the same except perhaps for automatic increases in wages. On that basis and, having regard to the priority of what we think is necessary in the way of building construction, we include the amounts in our Estimates. Then, as you say, the minister and myself appear before the Treasury Board, and they review everything we have included. At that time the Board may not agree with our priority of work. Out of that meeting comes our final Estimates. Last year there was practically no change. The minister had gone over everything very carefully and the minister felt that what he put forward should stand. Therefore when Treasury Board reviewed the Estimates of Public Works, they were very much the same as when submitted. When Treasury Board had approved the estimates no further reference was made to us.

Senator LAMBERT: Am I right in assuming that under the Public Works Act all public buildings should come directly under the Public Works Department?

General YOUNG: That, I think, sir, is the present policy of the Government. Our department carries the Estimates for the construction for Post Office, Customs and Immigration, but most all the other departments carry their own vote for construction, although in some cases we do the work for them.

Senator LAMBERT: What I am getting at is this. Take these buildings listed on this paper before us. Do the different departments represented here take the initiative in the approach to a new building, and then that would be submitted to the Public Works Department?

General YOUNG: Yes.

Senator LAMBERT: Have you any discretion at all as to whether that type of building should be erected or not, or as to the amount of money that should be expended?

General YOUNG: Yes. The Department of Public Works is reviewing these projects more and more. The minister has instituted an economics division. This perhaps does not apply so much to Ottawa, but we are now handing over to the economics division for study the proposal to construct public buildings in the various towns and cities. The economics would be studied to determine whether it is warranted. We have recently initiated another committee within our own department under the chairmanship of the Assistant Deputy Minister consisting of an engineer, the chief architect and the director of the property management branch. They review all the requests that are made to the department to determine whether or not they are necessary. Frequently a department will be a little over-optimistic in making its request to us for accommodation.

Senator LAMBERT: Would there be any control whatsoever by the Public Works Department over the extent or character of the Veterans Memorial Building or would the specifications come entirely from the Defence Department?

General YOUNG: They would give us the general requirements as to accommodation and then we would do the designing.

Senator KING: And you would carry through the work.

General YOUNG: Yes.

Senator BARBOUR: I should like to ask something about the Parliamentary Library. The renovation of that work may have been started before you took office, but could you tell the committee if there was an estimate, an amount set, for what your department thought the repairs to the Library would cost?

General YOUNG: After the fire an estimate was made to the effect that the repairs would amount to approximately \$1 million.

Senator QUINN: It was more of a guess?

General YOUNG: Yes. Because as soon as they started opening the building up they found that they would have to go further in repairs than had been contemplated.

Senator HAWKINS: Was your contract a cost plus affair?

General YOUNG: No, it was a cost plus fixed fee. The fixed fee was based on \$1 million. There was a fixed fee of \$20,000 on a contemplated expenditure of \$1 million. However, it was also provided that if the expenditure went over \$1 million the fixed fee still remained.

Senator ASELTINE: If it was \$2 million it would be \$40,000?

General YOUNG: No, sir. At that time it was contemplated the cost might be from \$900,000 to \$1¼ million and the fixed fee was arranged at \$20,000. Irrespective of what the cost was all the contractor got was \$20,000. This was to act as an incentive to keep the cost down and get the job finished.

Senator BARBOUR: I presume you have had to revise that more than once since then?

General YOUNG: There has been one revision. The cost now will be perhaps \$2 million or \$2½ million. Naturally the contractor has said "You gave us the general impression this would be \$1 million and we arranged on a fixed fee of \$20,000. Now the cost has gone up to \$2 million so we want to double the fixed fee". We are now negotiating a revised fixed fee.

Senator McDONALD: For the sake of economy a number of us hope that gradually all architects and engineers could come under the Department of Public Works. We think this would save duplication in planning and perhaps effect an overall economy. Could you give us an idea as to whether or not there is a tendency in the direction of centralizing in this fashion.

General YOUNG: There is that tendency. A statement was made during presentation of the estimates last year to the effect that Government policy was directed towards that end. It is not easy to accomplish all at once, and some reorganization has been necessary in our department in order that we can gradually take on the work of other departments. Nothing spectacular has been done so far, but we are gradually taking on the work of other departments.

Senator ISNOR: Would you trace a request from the Department of National Defence for the building of a barracks? What would your procedure be?

General YOUNG: We have no responsibility for requirements of Department of National Defence except as to rented accommodation for recruiting offices. We look after the rental of recruiting offices for the armed services.

Senator ISNOR: I asked that question in view of the answer you gave earlier to Senator Lambert, that you had the supervision of the construction of all buildings.

Senator LAMBERT: That was under the act.

General YOUNG: In so far as we are concerned it is exclusive of the Department of National Defence.

Senator ISNOR: In so far as the Department of National Defence is concerned, they are going ahead with their plans and construction, irrespective of the act as it relates to the Public Works Department, is that right?

General YOUNG: I think the answer is that any department can operate under the Public Works Department.

Senator ISNOR: No, but they are not operating under that. They are operating on their own account entirely, are they not?

General YOUNG: I do not know the answer to that. They have always looked after their own construction.

Senator ISNOR: If I were to say they are doing it, would you say that they are not doing it?

General YOUNG: They are looking after their own construction.

Senator McDONALD: Would it be practical for you to look after Defence?

General YOUNG: I am afraid that is getting into policy.

Senator McDONALD: The act allows the Defence Department to do its own construction work?

General YOUNG: I believe so.

Senator LAMBERT: I think the Public Works Act does.



General YOUNG: It is done under Defence Construction Limited which comes under Defence Production.

Senator LAMBERT: Just on this very point, we have the National Defence headquarters located on Cartier Square. There has been some discussion about replacing those buildings on Cartier Square and putting up a pentagon building somewhere. Would that be entirely a matter for the Defence Department to decide or would the Public Works come into it at all?

General YOUNG: A committee was appointed by the cabinet to plan building expansion in the Ottawa area. I am Chairman of that committee and on it are Mr. Bryce of the cabinet executive, Mr. Deutsch of the Treasury Board, the President of Central Mortgage and Housing, and the Chief of the Ottawa National Planning Board.

We were directed to review the office building accommodation situation in the Ottawa area, and one of the items under our consideration has been the new location of defence. No decision has been made as regards any site.

Senator LAMBERT: There is no immediate prospect of changing the situation at Cartier Square?

General YOUNG: Not immediately.

Senator LAMBERT: They are going to keep that for a while?

General YOUNG: I can't answer that.

Senator LAMBERT: But certainly there is no indication of change?

General YOUNG: If the government decides on the new location, Cartier Square would be cleared in about five years from that time.

Senator BARBOUR: The West Block, I suppose, would be a proper building to come under consideration by that committee?

General YOUNG: That is right, sir. The future of the West Block has been reviewed, and this committee, incidentally, makes its report to Mr. Winters who in return reports to the cabinet.

Senator CONNOLLY: You are going to do a job on the West Block similar to that done on the Parliamentary Library, are you?

General YOUNG: I hope not.

Senator CONNOLLY: In what way do you mean that?

General YOUNG: I think the work on the East Block taught us a lesson that when you start reconstructing an old building you don't know what is going to happen until the job is finished. It is very difficult to renovate one of these buildings and produce an efficient building from them.

Senator LAMBERT: But there is nothing definite on it yet.

General YOUNG: No.

Senator LAMBERT: You have not decided whether you are going to demolish it or reconstruct it?

General YOUNG: No firm decision.

Senator ASELTINE: What did it cost to rehabilitate the East Block?

General YOUNG: I think it was about \$1½ million.

Senator ASELTINE: And what is the estimated cost for tearing down the West Block and rebuilding it stone by stone, as was suggested in the press?

General YOUNG: Perhaps it would be \$5 million or \$6 million. However, you cannot really compare the two buildings, because if the West Block is rebuilt with the same elevation we would get an additional floor.

Senator McDONALD: How long is it since any considerable repairs were done on the West Block?

General YOUNG: Not in the last eight or ten years I think.

The CHAIRMAN: May I ask for information. Are the original plans of the West Block available?

General YOUNG: Yes, we have most of the original plans and photographs; they are really only sketch plans and photographs which were taken during the period of construction.

The CHAIRMAN: That would give you a fairly accurate idea of the internal construction of the building.

General YOUNG: No. They do not give the working details; they are only sketch plans and photographs.

The CHAIRMAN: As an uninformed layman, I was wondering if it would be possible to completely rebuild the interior of the building leaving the existing walls as they are, if they are in good condition; but, if you do not have the original plans that might be rather difficult.

General YOUNG: It would be difficult. Further, if you are going to make it to the same elevation, we should get four floors where there are now three, and the windows would not come in the proper place.

The CHAIRMAN: If you pulled the building down, would you not have a higher elevation?

General YOUNG: No, but with the same elevation we would have four floors where we now have three.

The CHAIRMAN: Why could you not gut the inside completely and build up four floors?

General YOUNG: As I have said, the windows, for instance, would not be in the right place.

Senator KING: If you will permit me, Mr. Chairman, I would like to recount an experience I had when I came to Ottawa as Minister in 1922.

At that time the parliament buildings were in the process of construction, and Pearson and Dowle were, I think, the architects, and William Lyle was the contractor. They had agreed with the Department of Public Works to build these buildings for \$5 million, and at the time I arrived in Ottawa some \$9 million had been spent. The Public Works Department paid up to \$5 million and stopped paying. The tower was then up just above the main entrance and there was considerable work still to be done. Mr. Hunter, who was then Deputy Minister, contended that the agreement was to build for \$5 million and the contractor must go on. However, an investigation showed that the Minister had changed and enlarged the plan.

With great difficulty I was able to bring in an outside engineer, by the name of Sidney Junkett, who came here with a staff and spent some two months going over the plan and the building. He then reported that the construction in the building was good, and that we had good value for what had gone into it. Previous to that, I must say, the contractor and architect had gone on strike and said they would not go on and work for another three or four months. I had to go to Mr. King and to Mr. Meighen who was Opposition Leader at that time, and tell them what I had done. I had a chat with Mr. Meighen, Leader of the Opposition at that time and told him I was having a review of the expenditures and the difficulties of the architect and the contractor, and suggested that he name some one to a committee, and he appointed Mr. White of London to review the situation from his standpoint, and then I consulted Mr. Forke, Leader of the Progressive group in the House of Commons, and he himself agreed to serve upon that committee. Then I asked Mr. Marler, who later became the Minister, and the three of them represented the different Parliamentary groups. We got together and

went over the whole field and came to the conclusion and decision that these men were entitled to their fee and that the building should be continued to its completion, which was done fairly and profitably.

I recite these facts because I know you are up against the same proposition in the library reconstruction, the payment of \$20,000 fee for the library. I know it was not possible to do what you wanted to have done for that, but I just mention it to show the difficulties and to say that I had that experience and also to say that you have a good building here costing about \$15 million.

Senator LAMBERT: We have covered the West Block and Cartier Square. What about the National Library? Is that held up for a while?

General YOUNG: That is to be built on the site where presently is located No. 3 Temporary Building. The plans are under way. One of the problems which confronted the Minister was the timing of its start. It would have been possible to have started about 8 months ago or so earlier than we now contemplate, but doing so would have meant that temporary accommodation would have to be found for the Department of Trade and Commerce. If we had gone ahead it would have meant a double move for Trade and Commerce, they would have to move from their present quarters in No. 3 Temporary Building to other temporary quarters and then into the building that is being built for them near the Veterans Memorial Building. So the view was that construction should be held up until the Department of Trade and Commerce moved into their new building.

Senator LAMBERT: The plans are practically completed?

General YOUNG: The plans are well under way.

Senator LAMBERT: What about the estimate of cost?

General YOUNG: We have a preliminary estimate.

Senator CONNOLLY: When you say Trade and Commerce will move into its new building, where is that located?

General YOUNG: It is the one beside the Veterans Memorial Building.

Senator QUINN: The Department of Trade and Commerce occupies quite a lot of space in the West Block does it not?

General YOUNG: They occupy space all over, sir. They have No. 1, No. 2, No. 3 and No. 4 temporary buildings.

Senator QUINN: The reason I ask you that, General Young, is that there has been a lot of comment made upon the plans to tear down the West Block. Opinions have been expressed to the effect that it should remain as it is for fear of changing or impairing the present architectural style. I have heard the opinion expressed that it would take an enormous amount of money to tear it down and to rebuild it and that there are not as good mechanics today as there were when the building was put up. Would it be possible in consideration of the fact that Trade and Commerce is moving out of there, for you not to give consideration to three floors as sufficient and that you might be able to remodel the inside and leave the exterior alone.

General YOUNG: A very careful study has been made of this. There is a great demand for office accommodation for members of Parliament, and the only area in which we can provide this accommodation for members is in this area. If that was renovated we would not get the accommodation required. There are other factors to consider, and one is the cost of renovation and the parliamentary library is an example of that.

Senator QUINN: Would not the space vacated by the Department of Trade and Commerce be enough to accommodate the members?

General YOUNG: Oh no. Trade and Commerce have only a small part of the West Block. Fisheries, Secretary of State, the Dominion Coal Board, and Public Works are in there too.



The CHAIRMAN: Deviating slightly from the point under discussion, are the Hunter Building and the Jackson Building counted to be pretty efficient office buildings?

General YOUNG: I would say yes.

The CHAIRMAN: How do they compare in cost, for instance, with the new Veterans Building?

General YOUNG: They were built in different times.

The CHAIRMAN: Let me put it this way then. Criticism is heard occasionally that the type of building being put up in Ottawa and surroundings, for instance, the new printing bureau in Hull, are on altogether too lavish a scale for office accommodation or facilities for the work in hand, and the same criticism has been heard, General Young, in respect of buildings in outside communities. Now I believe in the United States, while they take great pride in their capital, that so far as other public buildings are concerned, such as court houses and other public buildings, they are built mainly of plain construction, of brick, built for utility, and referring to the Printing Bureau building over in Hull, for instance, why is that building built of expensive stone with the finest of everything used in its construction when its purpose is merely to provide a useful quarters for printing, which is, after all, not a type of industry that requires such a pretentious building.

General YOUNG: The working parts of the printing bureau are factory-type buildings, and the only more elaborate portion is that relating to the offices. Apropos of what you have said, Mr. Chairman, the department has given very serious consideration to this question of cheaper construction.

The CHAIRMAN: I am delighted to hear that.

General YOUNG: And if a building is to be constructed in the centre of Ottawa it almost ipso facto has to be of a high standard. This committee which I mentioned have gone into that question and we feel, and the Government has approved our recommendations, that administration buildings could be built to the outskirts of Ottawa. On that basis the Government has approved plans for the Post Office Administration Building and Public Works Administration Building to be built on the Bowesville Road.

Senator ISNOR: How far is that from here?

General YOUNG: It is about 4 miles from here. The Agriculture Administration Building is to be built on the Experimental Farm. In moving locations of this type from the centre of Ottawa it is possible to use brick construction rather than more expensive material.

The CHAIRMAN: I see there is an item here for a laboratory of hygiene. I presume that is for the Department of National Health and Welfare. Evidently the Government owns the site. Is that in Tunney's Pasture?

General YOUNG: Yes.

The CHAIRMAN: Well, Tunney's Pasture is a couple of miles outside the centre of the city?

General YOUNG: Yes, sir.

The CHAIRMAN: And yet the total expenditure in Tunney's Pasture runs up to probably \$17 million. Now, there may be a question of policy in this, and the responsibility may be elsewhere and if so you need not answer the question. We spent \$17 million on buildings out in Tunney's Pasture and it required the sum of \$1,887,000 for landscaping, which to a poor prairie westerner sounds like a lot of good money.

General YOUNG: All of this soil had to be carried in. The ground was all rock in that location.

The CHAIRMAN: Why could we not have selected some place rather than one with a lot of rock where we had to spend nearly \$2 million bringing in soil to make landscaping. Now, those are questions which arise. Your department probably was told that the Government had decided to put up buildings in Tunney's Pasture, buildings of a certain type of construction. If so you do not need to answer the question but I would really like to get some information about it.

Mr. GARDNER: What is called the landscaping of Tunney's Pasture includes a great number of things. It is not just the soil, and the lawn or the grass which is developed there on the site. That development includes the provision of sewers, waterlines, electric services underground, heating tunnels, sidewalks, roads and all those services to serve every one of the buildings in that area.

The CHAIRMAN: That is in addition to the power plant which cost \$629,000?

Mr. GARDNER: That is a central heating plant that you are mentioning there. It provides steam for heating purposes to all the buildings on Tunney's Pasture site. It was much more economical to have a central plant than to have a plant in each individual building.

The CHAIRMAN: I agree with that. Did you have to excavate solid rock for that heating plant?

Mr. GARDNER: We did.

The CHAIRMAN: You had to take out rock for it?

Mr. GARDNER: We did.

The CHAIRMAN: Suppose that you had taken some other site, say a corner of the Experimental Farm where they have a lot of land, I do not think it would have been very much further away, could not those utilities have been built more cheaply than what they did cost?

Mr. GARDNER: It would have been built more cheaply because of the fact that instead of excavating rock you would be excavating earth. You would still have to put in sidewalks, roads, sewers and so on. The difference would be between excavating rock and earth, but it would not have made a great deal of difference.

Senator LAMBERT: Tunney's Pasture has been the object of ridicule in some way. I remember very well years ago when it was a pretty rough and ready sort of area, but it had been decided upon years before anything was built there that buildings would be erected on the property for the Statistical Bureau which was then housed in the most unspeakable conditions in an old pulp and paper warehouse or something of that kind down on the river. They used to have to close up the offices in the hot summer weather because it was humanly impossible to live in them. Believe me, I was very pleased to see that building go out there at Tunney's Pasture. I might say that the International Statistical Association which met here some three or four years ago, which was attended by some fifty odd countries, regarded the headquarters of the Bureau of Statistics as the most ideal and perfect plant of its kind in any country. So that we can say that Canada is identified very definitely with one of the most modern and efficient plants to serve statistical needs of any country in the world today. I think it is a very important thing that that has happened. That is apart from the expense of the thing altogether. I do think there is a utilitarian side to this whole project out at Tunney's Pasture that is perfectly defensible. It is relatively closer to other government buildings than is the Farm. Incidentally, the construction of these new buildings has improved an area that was in the plan of the Federal District Commission, and the Greber Plan. It has improved that area so that it is not

an ugly spot along one of the main driveways of this capital city. When I saw that figure for Tunney's Pasture I had some understanding and sympathy for it. I do not think it has been wasted by a long measure.

Senator CONNOLLY: Mr. Chairman, I wonder if I could go off this subject for a moment. I wonder if General Young would supply some information on policy and practice with reference to the use of rented space in Ottawa as opposed to space that is owned by the Government.

General YOUNG: As this is a question which applies throughout all of Canada we are endeavouring to apply some basic formula to it. Where we can rent more cheaply than we can build we continue to rent, but where the reverse is the case then we have been embarking on our own construction program. In the city of Ottawa we are currently spending more than \$2 million a year on rented accommodation. Much of this is at a rate higher than we think should obtain.

The CHAIRMAN: Is the matter of relieving unemployment a factor in the decision to erect public buildings? Do you feel you should not answer that question?

General YOUNG: I think I had better not answer it.

The CHAIRMAN: I am not asking for an opinion from you on this but I know there has been some talk that the new post office building to be erected in Winnipeg, which will cost some \$12 million has been undertaken to help relieve unemployment.

General YOUNG: That is not the case, sir. To go back to your first question, I think I am perfectly correct in saying that unemployment has not entered into the picture. Unemployment certainly did not enter into the picture in Winnipeg. That accommodation has been required for a long time and is urgently necessary.

The CHAIRMAN: That was the view of the Post Office people?

General YOUNG: It was before my time that the decision was made to proceed with it, but there seems to be ample evidence to me that the building was necessary.

Senator LAMBERT: To bring this to a head, you referred earlier to a committee which you consult with in connection with the erection of new buildings either in Ottawa or outside of Ottawa.

General YOUNG: The special committee I mentioned consists of senior people and is an Ottawa committee. We have instituted within the department a new committee of our own senior people. It considers all buildings in Canada.

Senator LAMBERT: If a building is to be erected in the Ottawa areas I assume that this committee consults the Federal District Commission and the officials of the Capital City Planning Area. I do not suppose there is a move made without their approval.

General YOUNG: No, sir.

Senator LAMBERT: That is very important. I suppose in your internal committee a decision to erect a new building is arrived at only after considerable discussion. I suppose there is considerable discussion in Cabinet as well.

General YOUNG: Yes, sir. I would also point out that the economics of the town involved would be considered. What is the future of the town? What are the present requirements? This committee is quite new and sat yesterday for the first time, but they have found one or two buildings to be unnecessarily large. They considered them too expensive for the requirements.



Senator LAMBERT: Take a building like the Winnipeg post office which will cost some \$10 million or \$12 million. I suppose the actual total cost of the building is considered very definitely before the plans are gone ahead with?

General YOUNG: Yes.

Senator LAMBERT: It is considered by the Cabinet as a whole as well as by your department?

General YOUNG: That is right, sir.

Senator LAMBERT: And it is considered very fully as to whether or not it is in keeping with the ability to pay?

General YOUNG: And requirements.

Senator LAMBERT: Yes.

The CHAIRMAN: Perhaps I should not be talking in this way because I live in Winnipeg and I may not be welcomed back there, but I have heard criticism from some sound businessmen in Winnipeg that the expenditure for the post office in that city is one that could very well have been done without for another five or ten years. Now, is there anything to the report that has been circulated in Winnipeg that the post office there is going to be equipped with helicopter service from the roof of the building to the air field?

General YOUNG: I could not answer that. I did read in the newspapers that the Postmaster General said something about it. We know nothing about it.

Mr. GARDNER: It is designed so that if it is ever required it could be used.

The CHAIRMAN: I hope that will not take place, for I do not think you could bring the mail in from the airport by helicopter any more cheaply than you could by truck.

General YOUNG: That is right, except if Stevenson Field is moved farther out.

The CHAIRMAN: There is not much sign of that, because the air field is being enlarged almost every year.

Senator ISNOR: Mr. Chairman, I would like to ask General Young a question. We look on the Public Works Department as having jurisdiction over all buildings, from a construction standpoint, and particularly is that true because of the reorganization which has taken place in the past two years. How many departments continue to carry on their own activities in building planning, engineer and architect services, and lay out their own plans for their buildings?

General YOUNG: I would say practically all the departments do. In the case of Citizenship and Immigration we are arranging a transfer of their technical people. In Unemployment Insurance we are arranging a transfer of their technical staff. But I would say that nearly every other department, in varying degrees, has its own engineering and architectural set-ups. In the case of Northern Affairs, when Mr. Winters was transferred to Public Works, he took over Trans-Canada Highway and structural divisions; so that now we are doing most of the engineering work for Northern Affairs and National Resources.

Senator ISNOR: Let us get something definite on the record. I understand National Defence has its own complete set-up.

General YOUNG: That is true.

Senator ISNOR: Do they have one or three?

General YOUNG: I don't know what their present organization is, and I should not attempt to answer. They have three set-ups, but most of their work is done through Defence Construction.

Senator CONNOLLY: Perhaps it might help at this point, with Senator Isnor's permission, to put on the record the relative position of the Department of National Defence, the Department of Defence Production and the particular agency known as Defence Construction Limited.

General YOUNG: Should you not get that from the Deputy Minister?

Senator CONNOLLY: I think you could tell us.

Senator ISNOR: I think you could go even beyond that with regard, for instance, to the Department of Transport, which I would like to know something about.

General YOUNG: The Department of Transport have their complete construction organization.

Senator ISNOR: Now we are coming to something we will have to discuss in the future, whether the Defence Department or any other department should have a complete construction branch, or whether the work should come under the Department of Public Works.

Senator ASELTINE: Do you think there might be duplication?

Senator ISNOR: There is bound to be.

Senator CONNOLLY: I don't like to interfere, but in the case of Defence Construction Limited, does it do the planning and construction for the armed services?

General YOUNG: The preliminary planning is done by the armed service concerned, that is the Navy, Army and Air Force, all have their own planners, architects and engineers. When the proposal goes to Defence Production they complete the drawings, or call in outside engineers and architects.

Senator CONNOLLY: You say when it goes to the Defence Production—

General YOUNG: They do the job.

Senator CONNOLLY: But who handles it? Is it the Defence Construction Limited?

General YOUNG: Yes, the Defence Construction Limited.

Senator CONNOLLY: And there are architects and engineers in that branch too?

General YOUNG: Yes.

Senator CONNOLLY: General Young, would you say anything as to the special requirements or the defence requirements for that kind of organization.

General YOUNG: I would think Public Works could do it.

Senator CONNOLLY: There isn't anything special about the requirement of the services, which is different from that of any other department, is that not so?

General YOUNG: I am expressing my own personal opinion now on this point.

Senator ISNOR: That is the very point I was going to bring out when Senator Connolly stepped in; I am pleased to have him bring it out so clearly. I am of the opinion that we are going to have to face that situation in the future, if our Department of Public Works is to function the way it should.

May I go a step further with regard to Defence Construction. Do they purchase the furniture and equipment for the buildings which they construct?

General YOUNG: We purchase the office furniture and equipment for office buildings in the urban areas; we do not purchase equipment and furniture for the camps.

Senator ISNOR: The so-called main buildings, such as barracks—

General YOUNG: They purchase their own; but we would buy their furniture in Cartier Square.

Senator ISNOR: There is an overlapping there, and no continuity.

The CHAIRMAN: Do you have many cases, General Young, of departmental officers who come to you and complain that their furniture or equipment is not of good quality and ask you to replace it?

General YOUNG: Yes.

The CHAIRMAN: What do you do with the old stuff?

General YOUNG: We perhaps do not replace it. We send somebody out to inspect it to see if in our opinion it is satisfactory. If that is the case, we would say that they have to keep what they have. During the past couple of years we have done a great deal in the repair of furniture; we repair anything that is capable of being repaired.

Senator CONNOLLY: Do you do that yourself or do you contract it out?

General YOUNG: We do a great deal of it ourselves, and in some cases we contract it out. If it is a big job, such as the repair of 500 filing cabinets, we call tenders; but if it is a dozen chairs, we do it ourselves. It may be of interest to know that during the past two years we have standardized our furniture. Formerly there were, I think, some fifteen different types of desks used; repair jobs on them were difficult, because we could not cannibalize at all. Now the furniture we have comes in a minimum number of types, and industry has co-operated very well with us on that score; in fact, some firms now only sell furniture that is in accordance with government specifications. In other words, they are down to one or two types and they sell commercially the furniture that we will buy.

The CHAIRMAN: That is an excellent move.

Senator QUINN: May I ask a question, Mr. Chairman? Does not the cost of putting up public buildings inevitably exceed the estimate?

General YOUNG: It varies with the year. Last year our tenders came in invariably 5 per cent to 15 per cent below our estimate; that also applied to dredging. In the case of public buildings, they were in some instances 15 per cent lower. But this year the trend is changing. In dredging the costs are going over our estimates. Whether that is due to the work on the St. Lawrence Seaway or not I cannot say. It is possible that with larger companies engaged in this work, competition has been reduced. I think the trend this year is higher than it was last year.

Senator QUINN: I asked you that question because the Chairman had said that the Winnipeg Post Office which was calculated to cost \$9 million would possibly run to \$12 million. That is more than 15 per cent.

The CHAIRMAN: That is more than 15 per cent.

General YOUNG: Of course, there is equipment to go in. I think that public building in Winnipeg came in about \$1.5 million less than our estimates.

Senator QUINN: Lower than this figure here?

General YOUNG: This was the contract price, and it was \$1.5 million lower than our estimates.

Senator CONNOLLY: Could I come back to the rental business again, Mr. Chairman. General Young told us that in Ottawa the department is spending some \$2 million a year for rented properties. What percentage of space that is used by the Government is owned as against that which is rented in Ottawa? Is there some general idea?

General YOUNG: I am afraid I cannot answer that. I would hate to guess that.



Senator CONNOLLY: There is only a limited amount of rental space available in Ottawa in any event.

General YOUNG: Of course the trouble is that our rented space is in pockets all over the city.

Senator CONNOLLY: It is dispersed.

General YOUNG: Instead of being concentrated they are in 12 or 14 different locations for each department, and that brings about inefficiency. What we are trying to do in this long term—we have a ten-year plan—would be to construct and try and reduce the expense of rentals and to concentrate our rentals so that each department staff will be concentrated.

Senator CONNOLLY: Would it be fair to say that the trend is away from rental space and into space that is owned?

Senator LAMBERT: No. I would not think so, not off-hand; I would not think there is any trend.

General YOUNG: We try to apply economics.

Senator CONNOLLY: It is whatever the economic solution is.

General YOUNG: I think the economics give an indication that ownership is cheaper.

Senator CONNOLLY: Would that apply even in the more expensive type of construction that you might have to have in Ottawa because of the requirements of the capital plan?

General YOUNG: Partially due to that, but in building cheaper construction out on the Bowesville Road—

Senator ISNOR: What do you mean by "cheaper"?

General YOUNG: No marble or granite.—The buildings will be of brick construction, something of the type of the Central Mortgage Building on the Montreal Road. And if we can spread out we avoid the use of elevators. One of the most expensive parts of a building is the provision of elevators. If we can have one-half story down and two and one-half up, with perhaps the old escalator in, we avoid a large number of elevators. The land is cheaper, and we can use brick instead of marble, and in that way we will get much cheaper accommodation than the high rental rates in the centre of Ottawa. They cannot compete with it.

Senator CONNOLLY: Would you say something about the trend to decentralizing Government buildings from the centre of Ottawa.

General YOUNG: Well, there is no great trend. We have not contemplated any more than 3 buildings plus the defence building to be built outside centre Ottawa but there are other questions that come in besides the economics of the building. There is parking and traffic, and we are attempting to locate these buildings around the periphery where transportation is very easy. For instance, on the Bowesville Road you can get east, west, north and south very quickly, particularly when that Bronson Bridge is built. You will be able then to get downtown in six minutes, and for civil defence, the people can get out to the country in quick order and, when the driveways are all completed, there will be rapid exit from the Bowesville Road buildings.

Senator CONNOLLY: And there are housing facilities out there which perhaps are more suitable?

General YOUNG: Yes, you will find the centre of gravity of the homes of the people who work there will move. For instance, when the Central Mortgage Headquarters was in No. 4 Temporary Building, the centre of gravity of the employees residences was a little bit north of the Museum in centre town, but now the centre of gravity of the employees of Central Mortgage has shifted out that way and I believe it is now at Cummings Bridge. So you can see the

people have moved to Manor Park, and have done so in order to be near their place of employment, and we contemplate the same thing on the Bowesville Road. The people working in that district will move to Alta Vista and the places around there.

Senator CONNOLLY: When you say you are going to have a building of cheaper construction in those outlying parts you do not mean that you are going to have a cheap building that is likely to deteriorate.

General YOUNG: No, it will be of good sound construction, but we avoid the use of marble and granite.

Senator LAMBERT: You have an example of that right in Tunney's Pasture now.

Senator CONNOLLY: And the Central Mortgage Building too, perhaps.

Senator ISNOR: I would like to hear something about administration costs under the scattered plan, as previously outlined.

Senator ASELTINE: I think that Senator Isnor has raised the most important point that has been raised here today.

Senator LAMBERT: Centralizing construction in the Public Works Department?

Senator ASELTINE: I would like to hear more about it to see if it is possible.

Senator LAMBERT: The point you are making is that under the Public Works Act the Department of Public Works controls all the public building that is done by the Government. Now it is obvious that the administration costs would be less than having it distributed over several departments, would it not? Perhaps that is not for you to say?

Senator ISNOR: Why not.

General YOUNG: I am just a civil servant.

Senator ISNOR: But you have a very efficient staff.

Senator ASELTINE: I suppose there will be quite a fight before they give up their prerogative.

The CHAIRMAN: Are there any more questions on that?

Senator KING: I would like to hear about any adjustments that are made for increasing costs of construction. From one year to another you must have an increased cost for labour and machinery going into these buildings.

General YOUNG: We try to adjust the costs through the Dominion Bureau of Statistics' information on increasing construction costs. It is not an easy thing to do. The plans for a public building will perhaps start maybe three years before.

Senator KING: Plans and estimates for the Printing Bureau were started five years ahead. There must have been a considerable increase in construction costs during that period.

General YOUNG: After the plans are made, and as soon as possible before tenders are called we try to make a review of our estimates.

Senator CONNOLLY: Would it be fair to ask you this. Can you make an estimate of the proportionate amount of building that is done by Public Works as against the amount that is done by other departments of Government?

Senator LAMBERT: Since when?

Senator CONNELLY: In any year in the last few years.

General YOUNG: I think you would have to get that information from Treasury Board. Mine would only be a guess.

Senator CONNOLLY: It would be a pretty educated guess. Would it be 50 per cent?

General YOUNG: I would prefer not to make the guess. It would be better to get the information from the Treasury Board. We have not got the information, but we could go through their Estimates and see what they are doing.

The CHAIRMAN: I think that question is one that probably General Young should not be asked to answer. There is no doubt that over recent years there has been a tendency for departments to look after their own construction. I can recall advertisements in the Winnipeg papers calling for tenders for the erection of a public building, and the tenders were to be sent in to the Deputy Minister of the department and not to Public Works. I think that practice is a bad one. General Young is not responsible for that practice. I remember at our last inquiry that similar information was provided, I believe, by Treasury Board. My memory may be wrong on that but I think it was roughly 50-50. The Post Office Department is one which has all its services performed by the Public Works Department—char service, repairs and maintenance, and so on.

Senator CONNOLLY: That is in your Estimates too, is it not, General Young?

General YOUNG: Yes.

The CHAIRMAN: At the other extreme of the scale you have departments which largely do this work themselves. However, that may be something which in time will correct itself. In the Supplementary Estimates, the total of which is \$147 million for all departments of Government, you have an item 99 which is headed: "Ottawa—Maintenance and Operation of Public Buildings and Grounds, including Repairs and Upkeep, Rents, Heating, etc." You have provided for ninety-nine full-time positions at a cost of \$240,225 and for twenty-eight seasonal positions at a cost of \$32,925. Now, that is over and above what you expected you would need when you prepared your Main Estimates?

General YOUNG: That is right. I might say that some 85 per cent of it is due to the five-day week which was introduced. For instance, a fireman now works only five days.

The CHAIRMAN: The five-day week is rather expensive to the taxpayer.

General YOUNG: That is right. We have found in our George street operations, which look after our maintenance in Ottawa, that there has been too much overtime. It has been too expensive a business to operate on an overtime basis. Therefore we have created a number of positions of electricians and plumbers, and so on, to offset the extravagant overtime that was taking place before.

The CHAIRMAN: Do you have any difficulty in getting these positions filled?

General YOUNG: No, except for firemen and stationary engineers. There is a shortage of them, and the Civil Service is running courses across Canada to train such people.

The CHAIRMAN: You have an amount of \$175,000 for total salaries and wages for maintenance and operation of public buildings and grounds other than at Ottawa.

General YOUNG: The same reason applies there. It is mostly due to the five-day week. As a matter of fact, outside of Ottawa it is practically all based on a five-day week.

Senator ISNOR: In other words, dealing with the first item you gave an overall figure of roughly \$306,000, which at 20 per cent less would amount to the additional \$245,000, which would be due to the five-day week.

General YOUNG: That is about right sir.

The CHAIRMAN: There is another item in these Supplementary Estimates to which I should like to refer. I refer to an item for the payment for expropriated property at 416-428 Wellington street. What property is that?



General YOUNG: It includes Vail's Laundry and the foundry. It was expropriated back in 1937. I do not know why no action was taken but last year it was decided that purchase should be completed. When the Veterans Memorial Building is completed we want to be able to tidy up the surrounding property and it will be taken over by the F.D.C.

The CHAIRMAN: I notice an item here with regard to postal accommodation in Regina. It specifies that a further amount of \$575,000 is required.

General YOUNG: We ran out of funds for that last year.

The CHAIRMAN: What will it cost when it is completed?

General YOUNG: I cannot recall that off-hand.

The CHAIRMAN: I notice another item of \$110,000 to complete a public building at Princeton, British Columbia.

General YOUNG: That is in the same category.

The CHAIRMAN: Is Princeton a large place?

General YOUNG: I do not know.

Senator KING: It has a population of about two or three thousand.

The CHAIRMAN: There is another item here of \$1,350,000 which is a further amount required with respect to a building for government services in London, England.

General YOUNG: The various government departments in London, England, are scattered in some sixteen different places, and the Department of External Affairs asked us last year to review the possibility of having one building. Mr. Gardner went to London, England, and looked at various sites and following that we provided the Cabinet with different alternatives. A decision was made on the Hampton site because it is close to Canada House.

The CHAIRMAN: What will the total cost of it be?

General YOUNG: We have no idea of the cost of the building at this time. Incidentally, I think this is very good business, to own our own building.

Senator KING: We built Canada House when I was minister, and it has ben outgrown.

General YOUNG: It will remain. I think traditionally everybody would like to see it remain, but the new building will be an office building quite close to Canada House. It will have all Government departments including defence. It will mean the saving of a lot of money in the long run.

Senator ISNOR: I have a question to ask dealing with policy. It is not policy in so far as the Government is concerned but policy in so far as General Young's department is concerned. I have heard criticism in the past in regard to tenders. I do not refer to the method of calling for tenders but rather to the fact that after tenders are received a department goes out and shops around. Would you care to say whether that policy has been changed?

General YOUNG: The policy of the department before did not require contractor to list their subtrades. What happened was that a contractor would get the award and then he shopped around amongst the subtrades. He would go to an electrical contractor and try to cut him down and in that way shop for lower prices. Of course he did not have to have a subcontractor until the day he started to work. Frequently he would show up with subcontractors who were not very efficient. It cost the government considerable money to supervise their use of poor material and poor workmanship. Consequently, effective the 1st of January last we made it compulsory for a contractor to list his subtrades at the time he submitted his tender and he cannot change those subtrades.

Senator ISNOR: With the amounts of the subtrades?

General YOUNG: No, we did not require him to insert the amount. He has to put the name and address of his plumber, steel man, electrician and so on. Those subtrades can only be changed on the approval of the minister or myself.

Senator ISNOR: That is as far as I want to go at the moment.

Senator CONNOLLY: Supposing there is found on that list people whom your department would not approve, what would happen?

General YOUNG: We would immediately get in touch with the contractor and say such and such a subtrade was not satisfactory.

Senator CONNOLLY: Supposing that it affected the tender price?

General YOUNG: The contractor has the responsibility for that; if he had to go out and get a higher priced subtrade, he has to bear the cost.

Senator CONNOLLY: But that presents a difficulty for him.

General YOUNG: He has given us a price.

Senator CONNOLLY: Yes, he has submitted his tender price, and you do not see the list until the tenders are opened.

General YOUNG: That is true.

Senator CONNOLLY: If you disapprove of one on that ground, you may disqualify the contractor.

General YOUNG: We take the lowest tender, and we say to him "You have got the job, but we will not accept Jones & Company for the electrical work."

Senator CONNOLLY: That may create some difficulty for him.

General YOUNG: We have had two or three cases where there was an attempt made to put in a cheap elevator from the United States.

Senator CONNOLLY: You would almost have to have an approved list of the subtrades, wouldn't you?

General YOUNG: No.

Senator QUINN: You couldn't get it.

General YOUNG: Since January we have only had trouble on the elevators.

Senator CONNOLLY: In practice there is really no trouble about it.

General YOUNG: No. In the case of the elevators we told the contractor he would have to deal with an accredited elevator company that could supply spare parts and give service.

Senator ISNOR: I am pleased to hear you outline that policy.

General YOUNG: It was well received by the Construction Association when I made the announcement.

The CHAIRMAN: I think that completes the questioning.

The Committee adjourned to the call of the Chair.





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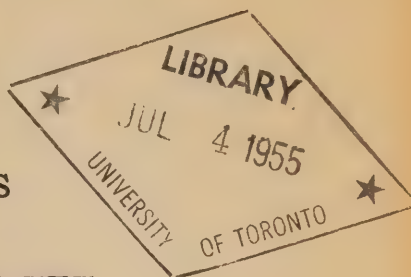
1955

THE SENATE OF CANADA

Government  
Publications



PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON



**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1956

No. 5

THURSDAY, JUNE 16, 1955

The Honourable THOMAS A. CRERAR, P.C., *Chairman*

REPORT OF THE COMMITTEE



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THE SENATE OF CANADA

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REPORT OF THE COMMITTEE

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1955



## STANDING COMMITTEE ON FINANCE

The Honourable Thomas A. Crerar, P.C., Chairman.

### The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Stambaugh
Campbell	Isnor	Taylor
Connolly	King	Turgeon
Crerar	Lambert	Vaillancourt
Dupuis	*Macdonald	Vien
Euler	McDonald	Woodrow—(35)
Farris	Paterson	
Fraser	Petten	

\*Ex officio member (Quorum 9)

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, March 16, 1955.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1956, in advance of the Bills based on the said Estimates reaching the Senate; That the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

L. C. Moyer,  
Clerk of the Senate.





## MINUTES OF PROCEEDINGS

THURSDAY, June 16, 1955.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators: Crerar, Chairman; Aseltine, Beaubien, Burchill, Connolly, Dupuis, Gershaw, Golding, Haig, Hawkins, Isnor, King, Lambert, McDonald, Pratt, Quinn and Taylor—17.

The Chairman read to the Committee a draft of a Report to be submitted to the Senate in obedience to the order of reference of March 16, 1955.

After certain redrafting the Report was adopted.

The following documents were ordered to be printed as Exhibits to the Report of the Committee:

No. 1. Reported Numbers of Employees of the Government of Canada Excluding Members of The Armed Forces and the R.C.M.P.

No. 2. Summary of Annual Estimates of the Government of Canada by Standard Objects of Expenditures and Special Categories.

No. 3. Estimates, 1955-56, Summary of Standard Objects of Expenditures and Special Categories.

No. 4. Public building costing over \$500,000 that were begun or completed in Ottawa and Hull during the five years from April 1, 1951, to the present.

No. 5. National Income and Gross National Product, 1939 and 1945-54.

No. 6. Summary of Net General Combined Revenue and Expenditure All Governments in Canada.

No. 7. Dominion Bureau of Statistics—Prices Section, Consumer Price Index for Canada, 1945-1955.

No. 8. Selected Items of Consumer Expenditure.

On motion of the Honourable Senator Beaubien, it was Resolved to request authority for the printing of 1,000 additional copies in English and 200 additional copies in French of the Report of the Committee.

*Attest.*

JAMES D. MacDONALD,  
*Clerk of the Committee.*



THURSDAY, June 16, 1955.

The Standing Committee on Finance, to whom were referred the Estimates laid before Parliament for the fiscal year ending March 31st, 1956, reports as follows:

On Wednesday, March 16th last, the Senate passed the following Reference to the Senate Finance Committee:

That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1956, in advance of the Bills based on the said Estimates reaching the Senate: That the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which such information is available, and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records.

(1)

In reports of previous years Your Committee has sought to show the effect of inflation upon public finance at all levels of government. That factor is still at work and is reflected directly in unprecedented estimates of the Country's gross national wealth and income. In this report, however, we simply point out some high spots in connection with the Federal Government Estimates, which reflect continued increases in public spending. We draw attention particularly to significant increases in the numbers of civil servants with special reference to the Department of National Defence, and to high costs connected with the construction of new buildings and the reconstruction of old ones. Our examination of witnesses was confined altogether to officials from the Treasury Board, the Civil Service Commission, the National Defence Department and the Department of Public Works. Your Committee has not been able to have as many meetings, or give as much detailed attention to the entire list of estimates as in previous years, owing to the delayed reference to the Committee in the earlier part of the Session; and to the preoccupation of many of our members with other Committee work.

(2)

#### CIVIL SERVICE INCREASES

Your Committee did assemble data from official sources showing the steady increase in Civil Service personnel over recent years (Exhibit 1). It will be noted from this data that the paid servants of the Government have increased in number more than fifteen thousand in the last 2 years, mainly in the Defence Department. The total in the Service is now over 174,000.



In 1939 the cost of the Service in salaries and wages was well under \$80 million. For the present fiscal year the total of Civil Service salaries and wages exceeds \$554 million. This latter, it may be added, is about \$40 million in excess of the previous year. The introduction of the five-day week over a large area of the Service has been responsible to a considerable extent for this increase which, of course, in the final analysis, has to be paid by taxpayers throughout the land. Evidence supplied by the Department of Public Works showed that as the result of the recent adoption of the five-day week, costs of servicing Public buildings in Ottawa alone had been increased \$243,000.

Included in this Exhibit also is a list of Crown Corporations, 23 in number. Many of these Crown Corporations pay their own way and a few have substantial surpluses from year to year in their operations. It should be clearly kept in mind, however, that since these are Crown Corporations the Government must make good the deficits when any of them fail to make ends meet. An illustration of this was the Canadian National Railways in 1954. It will be noted also that in round figures the total employees in Crown Corporations at the end of 1954 numbered 138 thousand. If we combine these with the Civil Service figures, excluding revenue postmasters who receive their remunerations mostly from commissions, the total number of persons directly and indirectly associated with Government activities at February 28, 1955, was over 312 thousand.

Included also is a summary of expenditures for the current fiscal year compared with the previous year, under the heading of "Standard Objects of Expenditures in Special Categories" (Exhibit 2). This shows the total expenditures by all Departments for these various purposes. Associated with this is a statement of the amount each Department of Government contributed to these expenditures (Exhibit 3). This statement (found in the pocket at the back of this report) provides the details of the summary just mentioned. This document was presented to Parliament by the Minister of Finance along with his annual estimates at the beginning of this Session. Your Committee suggests that all members of Parliament as well as others interested in Public Affairs would find a study of it useful.

### COSTS OF PUBLIC CONSTRUCTION

The figures relating to the costs of certain public buildings (Exhibit 4) in Ottawa, are cited as an example of the increasing expenditures connected with Government Buildings everywhere. The officials from the Public Works Department, in their evidence, pointed out that plans and estimates for all such construction are now subject to the close examination and approval of committees of departmental officials, as well as by the members of Treasury Board. The Public Works Department is now trying to bring all Federal public building under its supervision, as provided by the Public Works Act. During the war years and the immediate post-war period, much building expansion was initiated and undertaken directly by other Departments; and we think that the present trend to restore all such activities to the control of the Public Works Department should bring greater efficiency and greater economy.

(3)

### GROSS NATIONAL PRODUCT

We mention here a statement showing the gross national product and national income for the years 1939 and 1945 to 1954 inclusive (Exhibit 5). Your Committee emphasizes the importance of this Exhibit. The gross national

product is the total of gross earnings of all the Canadian people in all their varied activities. This is the index to the economic health of the nation. If this gross product expands steadily year after year, a broader basis for taxation results. It thus follows that a given rate of taxation will produce increasing revenue as the national product increases; and conversely if expenditures are held down taxes can be reduced. However, if for any reason the gross product fails to increase, or declines, less revenue is produced from taxes and, with the same given expenditures, deficits are the consequence. This happened in 1954 when gross product declined, as against 1953, well over \$400 million, accounted for mainly by a large measure of crop failure in the Prairie Provinces, and a higher ratio of unemployment due to curtailment of markets. It is clear now that the competition between the larger countries of the world for markets is becoming more intense and this competition may well force downwards the prices we receive for our exports. Any serious decline in prices, and more important, any loss of markets due to causes beyond our control would be bound to react adversely on the total of our gross National Product. This feature of our economy cannot carry too heavy emphasis.

It may be added here that the difference between the gross national product and the net national income is accounted for very largely by charges against gross income of such things as depreciation and obsolescence.

(4)

#### REVENUES AND EXPENDITURES

(Exhibit 6) is a summary of net general combined revenues and expenditures of all Governments in Canada for the years 1939, 1945 and 1950 to 1955 inclusive. The amounts for 1954 and 1955 are estimated but can be considered to be approximately correct. In previous reports this data was further analyzed, giving the main sources from which revenues were derived by all Governments and the main purposes for which money was expended. We regret that this cannot be included in the present report. The Bureau of Statistics, which in the past has supplied this information, has been for some time engaged in the preparation of similar data for the coming Federal-Provincial Conference in October next, and this naturally had first priority.

Your Committee would emphasize the importance of this data on revenues and expenditures by all Governments, which means Municipal Governments, Provincial Governments and the Federal Government. For example, in 1950, the revenue of all Governments combined was roughly \$4 billion, 300 million, and their expenditures \$4 billion, 100 million. In 1954 the total collected in revenue was almost \$5 billion, 950 million and the expenditures were \$6 billion, 370 million. For 1955 (estimated) the corresponding figures are, revenue \$6 billion, 158 million, and expenditures \$6 billion, 695 million.

There is an indication here of a tendency to increasing expenditures beyond the needs of the normal increase in population. This means what is generally known as "deficit financing". It becomes epidemic and increasingly affects all public financing—Municipal and Provincial as well as Federal. What happens if this tendency continues and through possible inability to find markets for our products at profitable prices our economy slows down? Your Committee feels that this is a matter which deserves the earnest attention of public men everywhere, irrespective of where the responsibility for governing lies, because a progression of years with "deficit financing" will mean ruinous inflation.

(5)

#### CONSUMER PRICES AND INFLATION

At this point in our report we include a table (Exhibit 7) showing the Consumer Price Index of the Bureau of Statistics. Prior to 1949 this was called the Cost-of-living Index, but for reasons which need not be considered

here was changed in 1949 to Consumer Price Index. This table shows that for the last three years this index has remained quite stable. The inflationary trends of five years ago have been brought under control, for the time being at any rate—a matter of very great importance for all Canadians. It should not be forgotten, however, that inflation is still a powerful factor in our economy. The important thing here for all Governments is to strive to keep their spending within their income. The increasing demands, by sections of our population, on all Governments for more expenditures, to meet needs fancied or real, can be noted almost every day. In addition demands come from farmers for guaranteed prices for agricultural products, from Labor Unions for a guaranteed annual wage and higher rates of pay, from well-meaning groups of individuals for higher welfare expenditures, and from industries exposed to foreign competition for subsidies or more Tariff protection. To what degree these demands upon Governments undermine the admirable qualities of self-reliance and initiative in the individual may be a question for debate. But there can be little doubt the extent to which such demands are met, in its end results, creates inflationary pressures.

(6)

For general information we include here a table (Exhibit 8) of selected items of consumer expenditure. While we have not precise figures of the total expenditures by all Governments combined under the broad heading of social welfare, it may be assumed that, at the present time, this is in excess of \$1 billion, 600 million per year. We think it is worthy of note that the Canadian people, for alcoholic beverages, tobacco in its various forms, race track betting, soft drink beverages of all kinds, and commercial recreation, are spending well in excess of the total amount expended under the heading of welfare.

(7)

#### ECONOMY IN PUBLIC SPENDING

Your Committee offers here some general observations. For reasons already stated it was not possible to make extensive examinations of all items of expenditures. The big item is, of course, the outlay associated with the defence services. It is not possible to forecast how these defence expenditures may proceed, but it appears to be a safe assumption that they will continue without much change for several years. Our responsibility to NATO, the need for ensuring our defences in our Northern Frontiers, appears to make certain that, unless some effective international plan of controlling armaments is worked out, we shall require to bear these burdens for the indefinite future. Your Committee does suggest that these are hard inescapable facts. This emphasizes the need and importance of the strictest economy in ordinary Government administration, whether it be Municipal, Provincial or Federal.

As already noted, we can view only with concern the increasing pressures on all Governments of sections of public opinion for increased spending. We do think that in this respect Governments, as the responsible leaders of the country, must cultivate realistic resistance to sections of the public which appear to think that Governments have inexhaustible resources to meet all the demands made upon them.

The Canadian people have a great record of achievement. In less than ninety years, since Confederation, they have developed a country that was largely a wilderness to the point where it is now the third or fourth trading nation in the world; where Canada has taken her place honourably in two world wars in defence of freedom; where organs of government at all levels have been established, and universities, schools and hospitals have been erected. With all this, a boundless natural heritage still remains to afford a sound economic basis for an enlightened, happy and prosperous people.



But we do wish to emphasize that if we are to enjoy in the future the fruits of past achievements we must journey along the road of reason and common sense and avoid the pitfalls of unsound political appeals.

### WHERE THE BURDEN LIES

Your Committee suggests that in matters of public spending there is a lack of understanding in the minds of many people of what the business of Government, at all levels is about. Governments have no money of their own. They can secure their money requirements only by taking it out of peoples' pockets in taxes, or by borrowing so long as they are able to borrow. If taxation becomes burdensome, and we believe that this is the case today, the individual's ability to spend and prosper in his own way is curtailed. Equally, when Governments have to borrow to meet deficits, the danger signals are definitely flying. Surely it is possible for Governments to economise both in small things and large things, and thereby set a good example to individuals in the nation everywhere.

Above all, it is important to keep alive in the minds of all the people of the nation an understanding of what freedom means. People may clamor for security—many are doing that today—but it should never be forgotten that if personal freedom is sacrificed for personal security provided by Governments, the individual can have no guarantee that in the end he will have either freedom or security.

All of which is respectfully submitted.

T. A. CRERAR,  
*Chairman.*



## EXHIBIT 1

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA  
EXCLUDING MEMBERS OF THE ARMED FORCES AND THE R.C.M.P.

Year	Government Departments	Crown Corporations
March 31, 1939.....	46,106	67,752
March 31, 1945.....	115,908	161,464
March 31, 1948.....	118,370	119,566
March 31, 1951.....	124,866	115,942
March 31, 1952.....	137,037	136,400
March 31, 1953.....	159,654	143,438
March 31, 1954.....	165,454	139,473
February 28, 1955.....	174,860	138,094

## NOTES

1. The statistics for the last three years were prepared on a slightly different basis from that of the previous years given. The latter, however, can be accepted as approximately correct in comparison with the last three years.

2. Crown Corporations. Figures for all years were supplied by the Bureau of Statistics based on data gathered by them from the Corporations.

Department (a)	March 31, 1953	March 31, 1954	February 28, 1955
Agriculture.....	7,320	7,544	7,712
Auditor General.....	145	140	139
Chief Electoral Officer.....	22	19	17
Citizenship and Immigration.....	3,435	3,462	3,854
Civil Service Commission.....	578	570	598
Defence Production.....	1,678	1,522	1,446
External Affairs.....	1,375	1,454	1,527
Finance.....	784	801	789
Comptroller of the Treasury.....	4,130	4,145	4,107
Royal Canadian Mint.....	226	215	222
Tariff Board.....	17	15	16
Fisheries.....	1,875	1,847	1,845
Governor General's Secretary.....	16	12	13
House of Commons.....	676	687	667
Insurance.....	94	94	90
International Joint Commission.....	20	20	21
Justice.....	230	246	254
Penitentiaries Branch.....	1,615	1,705	1,728
Labour.....	633	650	596
Unemployment Insurance Commission.....	8,330	8,881	8,845
Library of Parliament.....	45	49	61
Mines and Technical Surveys.....	1,703	1,919	1,991
National Defence—			
Administration.....	5,126	5,601	5,858
Army Services.....	18,257	18,832	22,097
Naval Services.....	9,514	9,648	11,393
Air Services.....	9,923	11,637	14,212
National Film Board.....	558	553	581
National Health and Welfare—			
Departmental Administration.....	331	438	523
Health Branch.....	890	906	885
Welfare Branch.....	924	867	869
Indian Health Services.....	1,582	1,526	1,654
National Library.....	14	19	23
National Research Council and Atomic Energy Control Board.....	2,268	2,415	2,541
National Revenue—			
Customs and Excise.....	6,654	6,790	7,219
Income Tax.....	6,785	7,264	6,725
Post Office (b).....	19,298	19,789	21,321
Prime Minister's Office and Privy Council Office	107	103	103
Public Archives.....	65	59	62
Public Printing and Stationery.....	1,199	1,295	1,382
Public Works.....	7,595	7,797	7,842
Northern Affairs and National Resources.....	2,402	2,335	2,610
Royal Canadian Mounted Police.....	849	903	933
Secretary of State.....	522	554	578
Senate.....	156	161	160
Trade and Commerce (including Dominion Bur- eau of Statistics).....	2,853	2,649	2,649

Department (a)	March 31, 1953	March 31, 1954	February 28, 1955
Board of Grain Commissioners.....	833	826	836
Canadian Government Elevators.....	238	224	206
Transport.....	11,336	12,074	11,211
Air Transport Board.....	52	53	50
Board of Transport Commissioners.....	158	167	165
Veterans Affairs.....	13,042	12,847	12,519
Soldier Settlement and Veterans' Land Act.....	1,176	1,125	1,115
Sub Total, Government Departments.....	159,654	165,454	174,860
Revenue Postmasters.....	9,355	9,213	9,068
Total.....	169,009	174,667	183,928
Crown Corporations (c).....	143,438	139,473	138,094
Grand Total.....	312,447	314,140	322,022

## NOTES:

- (a) The statistics for regular Government Departments include Classified Employees, Prevailing Rate Employees, Casual Employees and Ships' Officers and Crews.

Classified employees comprise those paid on the basis of stated annual salaries, the vast majority being under certificate of the Civil Service Commission, the balance being employed under the authority of other statutes (e.g. staffs of the National Research Council, the National Film Board, and the Canadian Government Elevators).

Prevailing Rate Employees are those whose remuneration is based on the prevailing hourly, daily or monthly rate for similar type of work in the area of employment and who occupy a continuing year round position on the establishment of a Department. Casual Employees are those whose remuneration is based on the prevailing hourly, daily or monthly rate for a similar type of work in the area of employment and who are employed for short periods of time in connection with specific projects.

Ships' Officers and Crews are employed on Canadian Government Vessels.

- (b) Excludes revenue postmasters, figures for which are shown separately immediately below the sub-total.
- (c) The Crown Corporations for whom staff strengths are included in this total are—

- Atomic Energy of Canada, Ltd.
- Bank of Canada
- Canadian Arsenal Ltd.
- Canadian Broadcasting Corporation.
- Canadian Commercial Corporation
- Canadian National Railways
- Canadian National (West Indies) Steamships, Ltd.
- Canadian Overseas Telecommunication
- Canadian Wheat Board
- Central Mortgage and Housing Corporation
- Crown Assets Disposal Corporation.
- Defence Construction, Ltd.
- Eldorado Mining and Refining, Ltd.
- Export Credits Insurance Corporation
- Hudson Bay Railway
- Industrial Development Bank
- National Harbours Board
- Northern Transportation Co. Ltd.
- Northwest Territories Power Comm.
- Polymer Corporation, Ltd.
- Prince Edward Island Car Ferry
- St. Lawrence Seaway Authority
- Trans-Canada Air Lines

## EXHIBIT 2

SUMMARY OF ANNUAL ESTIMATES OF THE GOVERNMENT OF CANADA BY STANDARD OBJECTS  
OF EXPENDITURES AND SPECIAL CATEGORIES

## Total, all Departments

	1938-39	1951-52	1952-53	1953-54	1954-55*	1955-56*
	(in millions of dollars)					
(1) Civil Salaries and Wages.....	76.9	367.5	413.9	450.6	515.9	554.4
(2) Civilian Allowances.....	1.2	7.7	8.3	8.8	9.2	9.8
(3) Pay and Allowances, Defence Forces and R.C.M. Police.....	15.1	223.3	266.5	297.5	339.2	380.3
(4) Professional and Special Services....	4.3	36.1	39.1	43.7	48.6	52.9
(5) Travelling and Removal Expenses....	4.6	36.5	48.1	53.7	59.4	61.9
(6) Freight, Express and Cartage.....	0.7	13.4	19.3	18.8	17.9	22.0
(7) Postage.....	0.4	3.7	3.7	3.9	5.1	5.5
(8) Telephones, Telegrams and Other Communication Services.....	0.7	8.5	10.9	13.0	12.9	14.2
(9) Publication of Departmental Reports and Other Material.....		6.7	7.3	7.7	7.2	6.8
(10) Films, Displays, Advertising and Other Informational Publicity.....	1.8	10.8	10.6	10.0	11.2	10.2
(11) Office Stationery, Supplies, Equip- ment and Furnishings.....	2.7	18.3	18.4	19.4	19.6	19.6
(12) Materials and Supplies.....	6.1	263.3	379.6	228.9	213.2	196.6

BUILDINGS AND WORKS, INCLUDING  
LAND

(13) Construction or Acquisition.....	34.9	442.5	507.5	449.4	382.9	337.9
(14) Repairs and Upkeep.....	4.0	46.5	59.0	42.0	37.9	40.6
(15) Rentals.....	1.8	9.3	10.4	11.5	13.8	15.3

## EQUIPMENT

(16) Construction or Acquisition.....	14.3	697.9	797.6	919.2	850.8	684.5
(17) Repairs and Upkeep.....	1.2	104.1	145.9	142.1	164.7	157.2
(18) Rentals.....		1.1	1.2	1.2	1.7	2.0
(19) Municipal or Public Utility Services..	0.9	9.7	13.6	16.8	18.3	20.4
(20) Contributions, Grants, Subsidies, etc., not included elsewhere.....	50.7	117.3	193.8	518.3	479.2	326.5
(21) Pensions, Superannuation and Other Benefits.....	5.5	152.5†	79.6	102.1	88.2	79.1
(22) All Other Expenditures (other than Special Categories).....	14.0	35.6	39.9	42.5	41.6	43.1
Total Standard Objects.....	241.8	2,612.3	3,074.2	3,401.1	3,338.5	3,040.8

## SPECIAL CATEGORIES

(23) Interest on Public Debt and Other Debt Charges.....	132.4	437.7	435.5	469.0	511.5	487.1
(24) Subsidies and Special Payments to the Provinces.....	21.2	115.1	32.3 (317.1)	328.4	350.8	350.5
(25) Family Allowances Payments.....		320.0	332.2	348.8	366.0	383.6
(26) Old Age Pensions, including Allow- ances to the Blind and the Disabled..	30.5	187.4	23.0	25.1	24.6	31.1
(27) Veterans Disability Pensions and Other Payments under the Pension Act.....	40.9	103.8	127.2	127.7	128.9	129.8



## STANDING COMMITTEE

	1938-39	1951-52	1952-53	1953-54	1954-55*	1955-56*
	(in millions of dollars)					
(28) Other Payments to Veterans and Dependents.....	9.4	56.8	46.8	46.2	43.3	41.0
(29) Government's Contribution to the Unemployment Insurance Fund.....		30.2	32.0	32.0	33.7	32.5
(30) General Health Grants.....		25.0	27.5	30.0	31.8	31.8
(31) Trans-Canada Highway Contributions.....		15.2	15.0	15.0	20.0	20.0
(32) Movement of Mail by Land, Air and Water (Post Office).....	15.6	38.2	41.4	45.6	48.0	46.6
(33) Deficits—Government Owned Enterprises.....	57.2	17.9	4.9	5.5	34.1‡	4.7
Total Special Categories.....	307.2	1,347.3	1,117.8 (1,402.6)	1,473.3	1,592.7	1,558.7
Total Standard Objects and Special Categories.....	549.0	3,959.6	4,192.0 (4,476.8)	4,874.4	4,931.2	4,599.5
(34) Less—Estimated Savings and Recoverable Items.....	0.1	27.3	27.0	344.5	366.6	239.2
Net Total Estimated Expenditures (Budgetary).....	548.9	3,932.3	4,165.0 (4,449.8)	4,529.9	4,564.6	4,360.3
(26) Old Age Security Payments.....			322.0	344.9	355.9	367.6

(Figures in brackets include amounts payable in 1952-53 under the 1952 Tax-Rental Agreements but which were not shown in the printed Estimates for 1952-53).

## NOTES

\*A further breakdown by Standard Objects by Departments for the years 1954-55 and 1955-56 is set out following the "Definitions of Standard Objects and Special Categories".

‡Includes \$75 million in 1951-52, being a special Government Contribution to the Civil Service Superannuation Account, designed to reduce the deficit in the Account.

‡Includes \$28.7 million in 1954-55, being the Canadian National Railways Deficit for 1954.

## DEFINITIONS OF STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

### Standard Objects (Items 1 to 22)

#### 1. Civil Salaries and Wages

Includes salaries and wages, overtime and other special pay of all civilian full time, part time, seasonal and casual personnel normally considered as "Government Employees" (but does not include employees of agency and proprietary Crown corporations) whether paid at hourly, daily, weekly, monthly or annual rates of pay. It also includes Judges' salaries, those of the Governor General and Lieutenant-Governors and the indemnities to Members of both Houses of Parliament but does not include persons engaged for a specific project where pay and other costs would normally enter into the total cost of the project.

#### 2. Civilian Allowances

Includes all types of allowances paid to or in respect of personnel normally considered as "Government Employees", such as Living, Terminable, Officer-in-Charge, Living and Representation Abroad, Special Service, Northern, Isolation, and Board and Subsistence Allowances, Mileage Allowances to Railway Mail Service Staffs, Allowances for Assistants, and other such allowances. Also includes Ministers' Motor Car Allowances, and the Expense Allowances to Senators and Members of the House of Commons.

#### 3. Pay and Allowances—Defence Forces and R.C.M. Police

Includes pay and all types of allowances (except travel allowances included in Item No. 5 below) payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

#### 4. Professional and Special Services

Includes provision for services performed by individuals or organizations outside a particular departmental service, other than such services identified with specific works, projects or with projects and programs for which provision is made under Items 9 and 10; payments in the nature of fees, commissions, etc. for legal services, architects', engineers', analysts', accountants', reporters', translators', and writers' services; medical and dental services, doctors and nurses for Veterans Treatment and examination of pension applicants, hospital treatment and care and other outside technical, professional and other expert assistance; annuities and other agents paid on a fee or commission basis, payments to church organizations for Indian education, and Corps of Commissionaires services. It includes armoured car service and other operational and maintenance services performed under contract other than those more properly classified under other Items, such as the Marconi-operated Radio Stations of the Department of Transport which are included in Item No. 8.

#### 5. Travelling and Removal Expenses

Includes travelling and transportation expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police, removal expenses of those persons and their dependents, and living and other expenses of such persons on travel status; Judges' travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. It also includes transportation of persons by contract and chartered facilities or by other means, automobile mileage, aeroplane fares, local transportation, etc., travelling expenses of persons engaged in field survey work, inspections and investigations. Does not include travelling and transportation of other than Government Employees such as travel costs for deports, applicants for treatment or pensions (veterans), etc., which are classified under Item No. 22.

#### 6. Freight, Express and Cartage

Includes the cost of transportation of goods other than initial delivery cost on a purchase which is included in the Object covering the cost of the purchase itself. These costs range from the movement of mails from city Post Offices to the various Government Departments, to the movement of heavy equipment between camps and other establishments of the Defence Services.

#### 7. Postage

Includes ordinary postage, air mail, registered mail, special delivery mail, post office box rentals and any other postal charges. Does not, of course, include provision for mail enjoying the "frank" privilege.

## **8. Telephones, Telegrams and Other Communication Services**

Includes all costs of communication services by telephone, telegram, cable, teletype, radio and wireless communication (tolls, rates, rentals, etc.) and other communication costs such as Courier Services provided by outside agencies and communication services performed under contract or agreement such as the Marconi-operated Radio Stations of the Department of Transport.

## **9. Publication of Departmental Reports and Other Material**

Includes provision for the publication, through the Queen's Printer, of Departmental Reports and other material, including informational and educational bulletins and pamphlets; publications on scientific and technical matters, natural resources, statistics and other such material; Hansard and other Parliamentary Papers; maps, charts, etc. The costs of printing, binding, engraving, lithographing, artwork, mats, writers' fees, and other costs attributable to specific publication projects and programs are included hereunder, with the exception of those belonging under Items 1, 2 and 5. The costs of publications and material produced wholly within a Service are distributed throughout other Items. The printing of forms and other stationery is included under Item No. 11.

## **10. Films, Displays, Advertising and Other Informational Publicity With the Exception of Publications**

Includes provision for films, displays and other visual materials, advertising for publicity and general purposes, including advertising for tenders (except that charges directly arising from specific construction projects or purchases are included under such headings). It includes publication of proclamations, announcements, notices, etc., and various forms of educational and informational publicity, by radio, poster, press and other means. The costs of artwork, writers' fees, casual employees hired for a specific project, and other costs attributable to the foregoing are included hereunder with the exception of those belonging under Objects Nos. 1, 2 and 5, and the costs of projects or programs produced wholly within a Service where the costs are distributed throughout other Objects. Total provision for the operation of the National Film Board and the International Service of the Canadian Broadcasting Corporation is included under this item.

## **11. Office Stationery, Supplies, Equipment and Furnishings**

Includes stationery, envelopes, blotting paper and other office supplies such as pens, pencils, erasers, ink, etc.; printed forms, including tax return, statistical and like forms; letterheads, ledgers and ledger sheets, carbon paper, stencils and other paper supplies; the purchase, repair and rentals of office machines and appliances, including typewriters, adding machines, calculators, recording machines, tabulating machines, microfilming equipment and supplies, inter-office communication equipment, postal meter machines, machine records and all other office equipment; also includes desks, chairs, filing cabinets and such office furnishings; books, newspapers and periodicals for office or library use.

## **12. Materials and Supplies**

Includes provision for materials and supplies required for normal operation and maintenance of Government Services (other than Office Stationery, Supplies and Furnishings). It includes gasoline and oil purchase in bulk; fuel for ships, planes, transport, heating, etc.; feed for livestock; food and other supplies for ships and other establishments; live stock purchased for ultimate consumption or resale; seed for farming operations; food, clothing and other supplies for sick and indigent Indians; text books and school supplies purchased for Indian schools; books and other publications purchased for outside distribution; uniforms and kits, coining and refining supplies for the Mint; photographs, maps and charts purchased for administrative and operational purposes; laboratory and scientific supplies, including samples for testing; drafting, blueprinting and artists' supplies; supplies for surveys, investigations, etc.; chemicals, hospital, surgical and medical supplies; mail bags for transportation of the mails; char service supplies; coal, wood and electrical supplies; and all other materials and supplies other than those purchased for construction or repair projects which would normally be charged to such projects.

## **13. Construction or Acquisition of Buildings and Works, Including Acquisition of Land**

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges and other such type of fixed assets, and reconstruction of such type of assets, improvements involving additions or changes of a structural nature,



and also the installed cost of fixed equipment which is essentially a part of the work or structure such as elevators, heating and ventilating equipment, etc. It includes all such projects performed under contract or agreement or undertaken by a Department directly. The purchase of land is also included. The cost of casual employees hired for specific projects is included but not the cost of continuing employees assigned to work full or part time on such projects.

**14. Repairs and Upkeep of Buildings and Works**

Includes materials, supplies and other charges entering directly into the cost of repair and upkeep of the type of durable physical assets indicated under Item No. 13 above. It includes repair and upkeep projects performed under contract or agreement or undertaken by a Department directly.

**15. Rentals of Land, Buildings and Works**

Includes provision for rentals of properties required for special purposes by the various Departments and for the accommodation of Government Offices and Services by the Department of Public Works. Also includes rentals of space for storage of motor cars and other equipment and supplies.

**16. Construction or Acquisition of Equipment**

Includes provision for all new machinery, equipment and furnishings (other than office equipment and office furnishings), and includes motor vehicles, aeroplanes, tractors, road equipment, laboratory and other scientific equipment, vessels, ice-breakers and other aids to navigation and all other types of light and heavy equipment, and includes various types of such equipment for National Defence, such as ships, aircraft, mechanical equipment, fighting vehicles, weapons, engines, and such spare parts as are normally acquired with that equipment, workmen's tools, farm implements, furniture and furnishings required for other than normal office purposes. Also includes live stock, horses and dogs purchased for employment as such rather than for ultimate consumption or resale (see Item No. 12 above).

**17. Repairs and Upkeep of Equipment**

Includes all materials, repair and replacement parts and other costs entering directly into the cost of repair and upkeep of the type of equipment indicated in Item No. 16 above.

**18. Rentals of Equipment**

Includes provision for hire and charter—with or without crew—of vessels, aircraft, motor vehicles and other equipment (but excluding hire of such vehicles primarily for travel or cartage covered in other items, or hire of vehicles or other equipment for works projects where the rental would normally be included in the costs of the projects).

**19. Municipal or Public Utility Services**

Includes provision for all payments for services of a type normally provided by a Municipality, School Board, or Public Utility Service such as the supply of water, electricity, gas, etc., and includes water rates, light, power and gas services, school fees, and payment for such services whether obtained from the Municipality or elsewhere; taxes and water rates on diplomatic properties. Also includes payments to Municipalities in lieu of Taxes and local improvement charges.

**20. Contributions, Grants, Subsidies, etc., not included Elsewhere**

Includes contributions to international and other organizations; contributions toward the cost of joint undertakings and programs not directly the responsibility of the Federal Government; contributions or grants to governments outside Canada, whether in money or in kind; grants to national organizations such as the Boy Scouts Association and agricultural, health, welfare and similar organizations; subsidies to primary and other industries; contributions under agreements with the Provinces for vocational training and other purposes, unless otherwise provided for in special categories; payments under the Maritime Freight Rates Act; grants to various exhibitions, etc.; research grants and other assistance toward research carried on by non-governmental organizations; scholarships and similar payments. Does not include Grants to Municipalities in lieu of Taxes (Item No. 19),



Subsidies and Special Payments to the Provinces (Item No. 24), Government's contribution to the Unemployment Insurance Fund (Item No. 29), General Health Grants paid to Provinces (Item No. 30), contributions to the Provinces for the Trans-Canada Highway (Item No. 31), nor the Deficits on Government Owned Enterprises (Item No. 33).

## **21. Pensions, Superannuation and Other Benefits in Consideration of Personal Services**

Includes pensions, superannuation and other benefits to former civilian Government employees and ex-members of the Royal Canadian Mounted Police, or their dependents. It also includes payment of compensation under the Government Employees Compensation Act, the Government's contribution to the Superannuation Account and the Members of Parliament Retiring Allowances Account, Sick Mariners Dues, Judges' Pensions, Gratuities in lieu of Retiring Leave, Gratuities to Families of Deceased Employees, the Government's contribution to the Public Service and Regular Forces Death Benefit Accounts, payments under the Defence Services Pension Act and the Government's contribution, as an employer, to the Unemployment Insurance Fund. It does not, however, include the Government's contribution to the Unemployment Insurance Fund which represents one-fifth of the net amount contributed by employers and employees combined (Item No. 29) Disability Pensions in respect of World Wars 1 and 2 (Item No. 27), nor Other Payments to Veterans and Dependents (Item No. 28).

## **22. All Other Expenditures (other than Special Categories)**

Includes minor residual items shown as "Sundries" in practically all votes. These include such costs as towel service, laundering and dry cleaning, loss of personal effects, bonding of Government employees, and other small miscellaneous articles and services. It includes licences, permits, dockage, towage, wharfage and mooring privileges; works of art for exhibits, and historical material for galleries, museums and archives. It includes travel costs incurred for other than Government employees, e.g., immigrants, veteran patients and migrant labour. Also included is provision for many items and services detailed throughout the Estimates which do not lend themselves to distribution under the specific headings detailed in this Summary.

## **SPECIAL CATEGORIES (Items 23 to 33)**

### **23. Interest on Public Debt and Other Debt Charges**

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and the costs of servicing the Public Debt.

### **24. Subsidies and Special Payments to the Provinces.**

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Tax-Rental Agreements. It also includes certain payments to Newfoundland under the Terms of Union. In general, it does not include payments made to Provinces for expenditures for specific purposes, some of which are included in Items Nos. 20, 26, 30 and 31.

### **25. Family Allowances Payments**

Payments of monthly allowances authorized by the Family Allowances Act—Chap. 109, Revised Statutes.

### **26. Old Age Pensions, Including Allowances to the Blind and the Disabled**

Includes pensions authorized by the Old Age Security Act, payment of the Federal Government's 50% share of old age assistance authorized by the Old Age Assistance Act, payment of the Federal Government's 75% share of allowances paid to blind persons under the Blind Persons Act, and payment of the Federal Government's 50% share of allowances paid to disabled persons under the Disabled Persons Act.

### **27. Veterans' Disability Pensions and Other Payments Under the Pension Act**

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. Most of these payments arise from service during World Wars 1 and 2.

**28. Other Payments to Veterans and Dependents**

Includes provision for War Veterans Allowances, including the Assistance Fund, Veterans Treatment and Other Allowances, Unemployment Assistance for Veterans, Rehabilitation Benefits, War Service Gratuities, Re-establishment Credits and other Sundry Items.

**29. Government's Contribution to the Unemployment Insurance Fund**

Provides for the Government's contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

**30. General Health Grants**

Provides for General Health Grants to the Provinces, the Northwest Territories and the Yukon Territory under terms and conditions approved by the Governor in Council to assist in hospital construction, extending and improving health services, prevention of tuberculosis, prevention of mental illness, control of venereal diseases, prevention and treatment of crippling conditions in children, training of health and hospital personnel, programs for the detection and treatment of cancer, public health research, provision of laboratory and radiological diagnostic facilities and services, medical rehabilitation and the improvement of maternity, infant and child care.

**31. Trans-Canada Highway Contributions**

Covers payments to those Provinces which have entered into agreements with the Federal Government under the Trans-Canada Highway Act, Chap. 269, Revised Statutes, in respect of the construction of the Trans-Canada Highway.

**32. Movement of Mail by Land, Air and Water (Post Office)**

Includes provision under the Post Office Department for Mail Service by Air, Water and Ordinary Land Conveyance, including Rural Mail Delivery.

**33. Deficits—Government Owned Enterprises**

Includes provision for the deficits incurred in the operation of Government Owned Enterprises such as the Hudson Bay Railway, the Canadian National (West Indies) Steamships, Limited, the Prince Edward Island Car Ferry and Terminals, the North Sydney, N.S.—Port-aux-Basques, Nfld., Ferry and Terminals, and Churchill Harbour.

**34. Less—Estimated Savings and Recoverable Items**

In certain special instances it is necessary for commitment and control purposes to detail total requirements of services but, in order that the actual amount of cash requirement only may be voted, deductions are made of estimated savings or recoverable amounts. Since the Standard Objects are made up of the gross requirements, the total of those objects must be reduced by these deductions in order to arrive at the total amount provided in the Estimates.

## EXHIBIT 4

(A) There are nineteen public buildings costing over \$500,000.00 that were begun or completed in Ottawa and Hull during the five years from April 1, 1951, to the present.  
 (B) Expenditures involved in each follow:

	(1) Site	(2) Building	(3) Landscaping and Paving	(4) Furnishings and Equipment	Total
	\$	\$	\$	\$	\$
Veterans' Memorial Buildings:					
East Building.....	427,082	6,456,583	—	129,310	7,012,975
West Building.....	238,840	6,639,125	—	100,000†	7,027,965
Parliamentary Library (Rehabilitation).....	Crown-owned	2,398,000	Nil	Nil	2,398,000
Central Heating Plant—Cliff St.—renovations.....	Crown-owned	1,413,674	Nil	Nil	1,413,674
Chemistry Lab., Agriculture—Experimental Farm.....	Crown-owned	865,437	Nil	Nil	865,437
National Research Council, Montreal Road.....	Crown-owned	—	Performed by F.D.C.	—	593,129
Plant Engineering.....	—	593,129	—	—	1,099,436
Building Research.....	—	1,099,436	—	—	1,189,482
Applied Chemistry.....	—	1,189,482	—	—	3,052,897
Radio and Electrical.....	—	3,052,897	—	—	2,603,513
Tunney's Pasture Development.....	715,680	—	1,887,833	—	6,855,454
Bureau of Statistics.....	—	6,855,454	—	—	675,542
Power Plant.....	—	675,542	—	—	629,614
Finance Storage.....	—	603,614	—	26,000	1,191,172
Archives Storage.....	—	1,191,172	—	—	2,711,457
Food and Drug Laboratory.....	—	2,711,457	—	—	699,860
P.W.D. Testing Laboratory.....	—	691,525	—	8,335	992,821
N.H. & W. Virus Laboratory.....	—	988,921	—	3,900	1,393,567
Laboratory of Hygiene.....	—	1,393,567	—	—	14,000,000
National Printing Bureau—Hull, P.Q.....	564,991	13,035,009	150,000	250,000†	2,486,803
Central Mortgage and Housing Corporation—Head Office.....	38,860	2,177,479	67,926	202,538	58,892,798
Total.....					

\* Includes only that type of office equipment normally purchased through Public Works, such as desks, chairs, shelving and filing cabinets. Does not include laboratory equipment and heavy machinery bought departmentally.  
 † (Est. only).

## EXHIBIT 5

## NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1939 AND 1945-54

(millions of dollars)

	1939	1945	1946	1947	1948	1949 <sup>1</sup>	1950 <sup>1</sup>	1951 <sup>1</sup>	1952 <sup>1</sup>	1953 <sup>1</sup>	1954 <sup>1</sup>
Wages, Salaries and Supplementary Labour Income.	2,575	4,953	5,323	6,221	7,170	7,761	8,311	9,716	10,818	11,661	11,900
Military Pay and Allowances.....	32	1,117	340	83	82	115	137	201	270	309	367
Investment Income.....	917	1,859	1,975	2,269	2,464	2,445	3,155	3,642	3,733	3,775	3,709
Net Income of Unincorporated Business:											
Accrued Net Income of Farm Operators from	385	1,010	1,112	1,223	1,518	1,504	1,503	2,072	1,858	1,649	1,114
Farm Production <sup>2</sup> .....											
Net Income of Non-farm Unincorporated Business <sup>3</sup> .....	464	901	1,071	1,189	1,326	1,389	1,444	1,507	1,575	1,692	1,645
NET NATIONAL INCOME AT FACTOR COST.....	4,373	9,840	9,821	10,985	12,560	13,194	14,550	17,138	18,254	19,086	18,735
Indirect Taxes less Subsidies.....	733	1,003	1,269	1,604	1,772	1,830	2,018	2,478	2,714	2,900	2,913
Depreciation Allowances and similar Business Costs.	610	928	903	1,118	1,276	1,437	1,636	1,910	2,115	2,364	2,490
Residual Error of Estimate.....	-9	79	33	61	5	1	-1	-52	119	66	-153
GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,707	11,850	12,026	13,768	15,613	16,462	18,203	21,474	23,202	24,416	23,985

<sup>1</sup> Includes Newfoundland.<sup>2</sup> This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board Channels.<sup>3</sup> Includes net income of independent professional practitioners.



## EXHIBIT 5

## GROSS NATIONAL EXPENDITURE, 1939 AND 1945-1954

(millions of dollars)

	1939	1945	1946	1947	1948	1949 <sup>1</sup>	1950 <sup>1</sup>	1951 <sup>1</sup>	1952 <sup>1</sup>	1953 <sup>1</sup>	1954 <sup>1</sup>
Personal Expenditure on Consumer Goods and Services.....	3,904	6,811	7,977	9,173	10,112	10,963	12,029	13,273	14,363	15,115	15,581
Government Expenditure on Goods and Services <sup>2</sup> ...	765	3,704	1,832	1,570	1,798	2,128	2,326	3,243	4,259	4,362	4,360
Gross Domestic Investment: <sup>3</sup>											
New Residential Construction.....	185	272	371	506	637	742	801	781	786	1,061	1,159
New Non-residential Construction.....	166	252	443	599	818	903	1,026	1,260	1,554	1,706	1,676
New Machinery and Equipment.....	254	462	584	1,016	1,230	1,323	1,389	1,769	1,916	2,073	1,711
Change in Inventories.....	331	-260	519	947	605	231	960	1,020	270	605	-230
Exports of Goods and Services.....	1,451	3,597	3,210	3,638	4,054	4,011	4,183	5,089	5,573	5,420	5,134
Deduct: Imports of Goods and Services.....	-1,328	-2,910	-2,878	-3,621	-3,636	-3,837	-4,513	-5,613	-5,400	-5,860	-5,559
Residual Error of Estimate.....	9	-78	-32	-60	-5	-2	2	52	-119	-66	153
GROSS NATIONAL EXPENDITURE AT MARKET PRICES..	5,707	11,850	12,026	13,763	15,613	16,462	18,203	21,474	23,202	24,416	23,985

<sup>1</sup> Includes Newfoundland.<sup>2</sup> Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also, includes the changes in inventories of government commodity agencies.<sup>3</sup> Include capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

## EXHIBIT 6

SUMMARY OF NET GENERAL COMBINED REVENUE AND EXPENDITURE  
ALL GOVERNMENTS IN CANADA

## EXCLUSIVE OF INTER-GOVERNMENT TRANSFERS

Fiscal years ended nearest December 31, 1939, 1945 and 1950 to 1955

	Government of Canada	Provincial governments	Municipal governments	All governments
<hr/>				
REVENUE	Millions of Dollars			
<hr/>				
1939.....	480	236	317	1,033
1945.....	2,720	317	353	3,390
1950.....	2,906	827	560	4,293
1951.....	3,766	945	651	5,362
1952.....	4,349	921	740	6,010
1953 <sup>1</sup> .....	4,437	994	800	6,231
1954 <sup>2</sup> .....	4,149	960	839	5,948
1955 <sup>2</sup> .....	4,242	1,011	905	6,158
<hr/>				
EXPENDITURE	Millions of Dollars			
<hr/>				
1939.....	571	355	305	1,231
1945.....	4,679	371	334	5,384
1950.....	2,495	924	682	4,101
1951.....	3,310	1,040	780	5,130
1952.....	4,009	1,166	899	6,074
1953 <sup>1</sup> .....	4,040	1,218	992	6,250
1954 <sup>2</sup> .....	4,000	1,311	1,060	6,371
1955 <sup>2</sup> .....	4,121	1,464	1,110	6,695

<sup>1</sup> Preliminary.<sup>2</sup> Estimated.

Dominion Bureau of Statistics, May, 1955

## STANDING COMMITTEE

## EXHIBIT 7

## DOMINION BUREAU OF STATISTICS—PRICES SECTION

## CONSUMER PRICE INDEX FOR CANADA, 1945-1955\*

(1949 = 100)

			Index
1945.....			75.0
1946.....			77.5
1947.....			84.8
1948.....			97.0
1949.....			100.0
1950.....			102.9
1951.....			113.7
1952.....			116.5
1953.....			115.5
1954.....			116.2
1954	January	2	115.7
—	February	1	115.7
	March	1	115.5
	April	1	115.6
	May	1	115.5
	June	1	116.1
	July	2	116.2
	August	2	117.0
	September	1	116.8
	October	1	116.8
	November	1	116.8
	December	1	116.6
955	January	3	116.4
—	February	1	116.3
	March	1	116.0

\* All figures in this table are directly comparable with each other.

## EXHIBIT 8

## SELECTED ITEMS OF CONSUMER EXPENDITURE

(Millions of dollars)

	1952	1953
Alcoholic Beverages.....	833	869
Tobacco in various forms.....	455	453
Race track betting.....	69	84
Soft drink beverage—all kinds.....	189	198
Commercial Recreation.....	198	205
Total of above items.....	1,744	1,809















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1956

THE SENATE OF CANADA

Government  
Publications



PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON



**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957.

No. 1

WEDNESDAY, FEBRUARY 29, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956

## STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

### The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Smith
Campbell	Isnor	Stambaugh
Connolly ( <i>Halifax North</i> )	Lambert	Taylor
Connolly ( <i>Ottawa West</i> )	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen,	Vien
Euler	Molson	Woodrow—38.
Farris	Paterson	
Fraser	Petten	

50 Members (Quorum 9)

\*Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

WEDNESDAY, February 29, 1956. .

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators:—Hawkins, *Chairman*; Aseltine, Baird, Barbour, Beaubien, Bouffard, Burchill, Connolly (*Ottawa West*), Crerar, Dupuis, Euler, Gershaw, Golding, Haig, Isnor, Molson, Pirie, Pratt, Reid, Smith, Stambaugh, Taylor, Turgeon, Vien and Woodrow.—25.

*In attendance:* The official reporters of the Senate.

The Committee proceeded to the consideration of the order of reference of February 15, 1956.

Mr. J. J. Deutsch, Secretary to the Treasury Board, was heard and questioned by members of the Committee.

At 12.40 p.m. the Committee adjourned until Thursday next, March 8, 1956, at 10.30 a.m.

Attest.

JOHN A. HINDS,  
*Assistant Chief Clerk of Committee.*



## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Wednesday, February 29, 1956.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we will come to order. You will recall that at our last meeting there was a discussion concerning the recommendations that were made to the government for the previous years, 1951, 1952 and 1955, and the suggestion was made that we should make inquiries to find out what had been done about those recommendations. Later a meeting of the Steering Committee was called, at which it was thought advisable to call Mr. Deutsch to give a report to us.

May I say with respect to future meetings, it has been decided that we should meet on Thursdays at 10.30 a.m. We were unable to meet on Thursday of this week because of a meeting of the Banking and Commerce Committee on that day.

We have Mr. Deutsch with us today, and if it is your wish, I would ask him to make his statement in connection with the recommendations that came out of the earlier meeting of the committee.

Senator ISNOR: Mr. Chairman, I understood you were going to give us a report on the recommendations of the Steering Committee as to which department would be under consideration.

The CHAIRMAN: It was decided that we should hold this meeting first, and then have another meeting of the Steering Committee to review what comes out of this meeting. Perhaps I did not make that clear in my explanation.

Senator ISNOR: May I ask if the witness is going to cover the whole field or is he going to outline the estimates as to a particular department.

The CHAIRMAN: I presume he is going to cover the whole field of the recommendations that have come from the committee.

Senator TURGEON: May I suggest, Mr. Chairman, that we permit Mr. Deutsch to make his statement in full, and to reserve our questions until he is finished.

The CHAIRMAN: Is that satisfactory to the committee? Very well, will you proceed, Mr. Deutsch.

Mr. J. J. DEUTSCH, Secretary of the Treasury Board: Mr. Chairman and honourable senators, I believe it is the Chairman's intention that I should review the recommendations that have been made by this committee in its three previous reports. The committee has made recommendations both of a general and specific nature. I would gather, Mr. Chairman, that you want me to speak particularly about the specific recommendations, because those of a general



nature have to do with matters of policy and it would not be appropriate for me to comment on them. However, with respect to the specific recommendations, I would be glad, Mr. Chairman, to tell you what has been done about them.

As I recall it there were specific recommendations in the 1952 report, and the first one that is specific is while the Department of Public Works has the responsibility of providing and maintaining all public buildings and works, many departments of the Government are directly spending more for these purposes than the department charged with that responsibility. I believe there was in the report of last year another reference to this matter. The recommendation was that economy and efficiency would result from bringing all construction under the Public Works Department. Perhaps I should deal with this recommendation first.

Well, Mr. Chairman, this matter has been given careful attention and I think I can say now that it is the policy of the Government to have the Department of Public Works carry out all the public works responsibilities for all the different departments with the exception of the Department of Transport and the Department of National Defence.

In the case of the Department of National Defence the responsibility for carrying out defence construction projects is given to the Minister of Defence Production. That is specifically provided for in the act setting up the Department of Defence Production.

However, in the case of defence production projects there has been co-operation between the Department of Public Works and the Department of Defence Production. In a number of cases the Department of Public Works has carried out projects in agreement with the Minister of Defence Production, so there is a measure of co-operation there, but the statutory responsibility in that case is given to the Minister of Defence Production.

In the case of the Department of Transport, similarly the act which establishes that department provides that certain works shall be carried out by the Minister of Transport, specifically, works having to do with railways and canals, with aids to navigation, with airports, facilities at airports. These are specifically assigned to the Minister of Transport by statute.

Consequently, the policy is that the Department of Public Works should assume responsibility for all public works with the exception of these two departments in which cases there are statutory provisions otherwise.

Since the committee reported in 1952 and 1955, where this matter was discussed in the committee's reports, effort has been made to get on with this job of bringing these activities back under the Department of Public Works. So far the following things have been done: For instance, the responsibility for the Trans-Canada Highway was moved to the Department of Public Works, as well as the responsibility for the Trans-Canada Highway in national parks, which formerly was under the Department of Northern Affairs and National Resources. The Department of Northern Affairs and National Resources is the department that looks after parks, and for a time that department also looked after the highways in national parks. That responsibility has moved over to the Department of Public Works. Also the highways in the parks, aside from the Trans-Canada Highway, which used to be maintained by the Department of Northern Affairs, have been transferred to the Department of Public Works. More recently—I think, within the last year or so—all the major construction activities which were formerly carried on in Northern Affairs have been shifted over to Public Works, with the result that the Public Works Department have absorbed and taken over from Northern Affairs practically the entire architectural and engineering functions of that department; and the staffs have been moved over to the Department of Public Works. Northern Affairs con-

tinues to have a very small responsibility for engineering functions. Minor structures in the parks, small buildings, the maintenance and repair of comfort stations, some residences and things of that sort, they continue to look after for the moment, but their engineering and architectural responsibilities are now of a very minor nature. All the major things have been shifted over to the Department of Public Works.

I should mention next, though this may not be directly relevant: housing, of course, was carried out by the Central Mortgage and Housing Corporation, but when Mr. Winters was made Minister of Public Works, the responsibility for this agency was taken over with him to that department; so this large agency in the field of housing is also responsible to the Minister of Public Works.

Senator ISNOR: Are the engineering branch services charged to the Department of Public Works?

Mr. DEUTSCH: For what? For the housing? Central Mortgage and Housing Corporation, as you know, is a Crown company, and finances itself, but the responsibility for the company is with the Minister of Public Works.

Senator BOUFFARD: It is only a change of responsibility, because the work is done as it was done before, by Central Mortgage.

Mr. DEUTSCH: The actual carrying out of that housing responsibility is done by the Corporation, not by the Department. But the Corporation itself is responsible to the Minister of Public Works.

More recently there has been a shift of some of the important public works responsibilities of Citizenship and Immigration to Public Works. Until recently Citizenship and Immigration carried out its own construction activities in connection with such things as Indian schools, Indian agencies and institutions of all kinds for Indians. Discussions have been taking place with a view to transferring some of that to the Department of Public Works. Recently some of the schools and institutional works' responsibilities have been moved over to this department, and the staff go with it. Discussions are now taking place with regard to the possibility of shifting over the remaining responsibilities.

Senator BOUFFARD: What is there remaining?

Mr. DEUTSCH: There is a program, for instance, of constructing buildings for the Indians. There are some housing structures they do for the Indians, which the Indians take part in themselves. There is a miscellaneous series of structures in connection with the Indian reserves and things of that sort which for the moment they are still carrying out. Consideration is being given to what further things could be shifted. There is a problem here to some extent because in carrying out a number of the miscellaneous buildings in the Indian reserves they use Indians to do part of the work. That of course raises problems, but the whole question of how much of the existing activity of Indian Affairs should be shifted to the Department of Public Works is being considered. As I say, some has already been shifted, particularly the bigger structures, but how much more should be shifted is being discussed at the present time.

Another matter which has been under consideration has to do with the housing of Government employees. In a number of locations where the Government has offices or maintains services it has been necessary to construct residences for Government employees for the simple reason that there are no other residences available. This is true particularly in the north where we have to carry out Government services. In the northern territories there are, of course, in most places no houses so the Government has to provide housing facilities for its employees. Similarly you can find in some remote Customs locations on the border there are no houses, and the Government has to provide these. As



an example I would refer to Kitimat, which is a new community developing in British Columbia. A short time ago there was nothing there at all. We have had to put Government Postal officials in there, an employment office and that sort of thing. We have had to provide housing facilities for these people.

It has been the custom up to recent times for each department to arrange and carry out the construction of the houses concerned, but we have been trying to consolidate that responsibility under the Department of Public Works. We have just begun to do so. For instance, there has been great difficulty in obtaining housing facilities in White Horse in the Yukon and as a result we have had to construct a number of houses for our officials there. We have just arranged that all the houses in White Horse required for public service should become the responsibility of the Department of Public Works, which will manage the whole scheme for all the departments. We felt that this would result in an over-all saving. We thought it would make much more sense if one authority had the responsibility for the whole thing rather than have each department provide its own facilities and maintain them.

The above has been worked out as an example. We are trying to do the same thing at Kitimat, and we are now to have a similar problem at Aklavik. There is again hope to arrange it so that the responsibility shall be the responsibility of the Department of Public Works; that department in turn uses the housing corporation as its agent to carry out its responsibility, because that organization has people specialized in housing.

Senator VIEN: When was that policy determined?

Mr. DEUTSCH: About the houses?

Senator VIEN: Yes.

Mr. DEUTSCH: Oh, during this past year.

Senator VIEN: Is it in application now?

Mr. DEUTSCH: It is in application now in Whitehorse, Kitimat, and it is hoped to extend it to other places: where we have an aggregation of housing, and we have three or four departments in one place. We are hoping to consolidate that responsibility under the Department of Public Works.

Senator VIEN: What was the policy prior to that?

Mr. DEUTSCH: Prior to that the general practice was for each department to look after its own, and we have felt that it would make for greater economy if instead of having each department provide for the maintenance and repair of their own houses we had one department responsible for the whole thing, and that department should be the Department of Public Works. I am citing these as examples of measures being taken to carry out the wish expressed by the committee in the previous recommendation.

Now, another matter I could refer to is the question of structures outside of Canada. With the great expansion of our external affairs services abroad we have had to acquire and rent a great deal of property abroad. The practice there has been for this to be borne by the Department of External Affairs, and they have a property section, and so on, which does this work, architectural services, and so forth. There has been some discussion between the two departments, that is, Public Works and External Affairs, as to the respective responsibilities of the two departments, and that discussion is continuing, but some greater responsibility has already been assumed by Public Works. For instance, there will be constructed an office building in London, England, which will house all our various Government agencies in that centre; that building is being constructed under the responsibility of the Department of Public Works.

Senator EULER: Would you co-operate with the provinces for a similar construction?

Mr. DEUTSCH: Well, that is a matter that could be worked out, if they want to, but after all these are two different governments, and something would have to be arranged between the two governments.

Senator BOUFFARD: What about Paris.

Mr. DEUTSCH: That is being carried out by External Affairs. The practice up to now has been for the properties abroad to be under the responsibility of the Department of External Affairs. There has been discussion between the two departments. One of the problems here is that at the moment the Department of Public Works does not have representatives abroad. The Department of External Affairs in its ordinary every day affairs has to have representatives abroad. Therefore, it is not an easy question, because there is the problem of duplication, and you have to consider carefully whether there is economy in this thing or not.

Senator VIEN: I take it you do not include in what you have just stated embassies and chanceries?

Mr. DEUTSCH: That is what I am talking about: I say embassies, chanceries and diplomatic properties of that kind are taken care of by the Department of External Affairs; they have their own architects and property services to do it.

Senator REID: And it might not be a saving to have the Department of Public Works take over those services?

Mr. DEUTSCH: It might not be.

Senator REID: They might have to set up a new department and send architects abroad; it could be more expensive.

Mr. DEUTSCH: It could be more expensive. This is not an easy question to settle. There has been some discussion about it, but so far the Department of Public Works has not taken responsibility for diplomatic properties.

Senator EULER: How about Trade Commissioners?

Mr. DEUTSCH: No, not Trade Commissioners. As Senator Reid pointed out, one of the difficulties is that the Department of Public Works does not have architects abroad, and to have them could mean a duplication of services.

Senator BOUFFARD: Does External Affairs have somebody who looks after the various buildings in each country, or is there a central office?

Mr. DEUTSCH: They have a central office here in Ottawa, and they have their own architects and property men. In the larger places they will have one man responsible in the embassy for the properties and so on. They have a head office group here responsible for the overall architectural and properties services. I might say that with respect to accommodation abroad the Department of Public Works has not gone beyond London, England, where it has assumed the responsibility for the erection of the new office building being built there.

Senator BOUFFARD: What is the difference between London and Paris? Why, for instance, does Public Works assume the responsibility for London and not for Paris?

Mr. DEUTSCH: Perhaps that question can most easily be answered by saying that London is by far our largest centre abroad. We have in England between 400 and 500 employees. Further, it is the oldest centre; and I think historically the Department of Public Works has been generally responsible in London. Moreover, it was apparent that economies could be achieved there by having Public Works come in. As you know, we have in London more departments than we have elsewhere: For instance, we have Veterans Affairs, Immigration, Customs and a host of other departments.



Senator EULER: What is your relationship, if any, with the new building being erected in New York?

Mr. DEUTSCH: None; that is a private venture, and we will rent space in it. We have no responsibility for the building.

So much for abroad: The position briefly is that the Department of Public Works is generally responsible in London but nowhere else. The Department of External Affairs has its own services for this purpose.

Another question is the matter of renting space.

Senator ISNOR: Before leaving this question concerning London, may I ask if the changeover and what is being done is good from a financial standpoint?

Mr. DEUTSCH: As I have said, it has been historically the case that the Department of Public Works has been generally responsible for London.

Senator ISNOR: I am speaking to the question of dollars and cents.

Mr. DEUTSCH: You referred to the changeover. I am saying that it has been historically so.

Senator SMITH: You mean that Public Works has always had a staff in London?

Mr. DEUTSCH: It has always had the main responsibility for the acquisition of property and the renting of property in London.

Senator BOUFFARD: And building?

Mr. DEUTSCH: And building. I do not know whether they have built anything previous to the present structure that is underway.

Senator BOUFFARD: But there is no change in policy?

Mr. DEUTSCH: No, but the procedure is being improved.

Senator BOUFFARD: It has always been the responsibility of Public Works.

Mr. DEUTSCH: Yes.

Senator PRATT: One gathers the impression from visiting London that the departments are scattered over half the city.

Mr. DEUTSCH: That is true.

Senator PRATT: There seems a lack of control right down the line.

Mr. DEUTSCH: That is right, sir. We have a good many departments and they are scattered all over the city. The purpose of the new building is to put them in one place. As I have said, I do not think Public Works have erected a building in London before, so the question did not arise; but when it did arise, it was the responsibility of Public Works to carry it out.

Not only is the Department of Public Works responsible for providing buildings for government services, but it also looks after leases for government accommodation. We do not have nearly enough buildings to take care of our services, and the responsibility of entering into leases has been placed on the Department of Public Works. However, in the past a number of departments have been making their own leases. During the last year or two, particularly since the committee has reported, we have looked over this thing and are trying to place all the responsibility for leasing with the Department of Public Works. For instance last year the funds for renting the offices occupied by the Unemployment Insurance Commission were provided for from commission's funds; they have now been moved to the Department of Public Works. The policy is to bring that responsibility for all government departments to Public Works.

Senator BOUFFARD: Does that include External Affairs?

Mr. DEUTSCH: As far as Canada is concerned, yes. So, there again we are hoping to bring that department under Public Works. I may say that while there has been considerable change towards that end, there are certain things that have not yet been done that are under discussion. It takes sometime to

work out these matters, because it involves staffs, and it is necessary to make sure that the purposes of the departments will continue to be carried out; it is necessary to come to a suitable understanding with the Department of Public Works to assure that proper services will be provided. While doing this, we are attempting as far as possible to consolidate the engineering and architectural staffs in the Department of Public Works, so as to get the maximum use of those services. That involves the transfer of personnel, and the necessity of seeing to it that an office is not loaded with too much work all at one time.

Senator BAIRD: In what buildings are you going to house the personnel of the Department of Public Works.

Mr. DEUTSCH: So far the Department has been in the Hunter Building. As you may know, Senator, there is a proposal to construct for that department a new headquarters in the Bowesville Road area. I believe that is in the estimates for this year.

Senator EULER: Will the consolidation of these services lead to a reduction in personnel?

Mr. DEUTSCH: We hope so, but you can never be absolutely sure that it will. It depends on the load of work placed upon the Department. We would hope this would result in a reduced staff.

Senator EULER: It should do that.

Senator REID: In the transfers that have taken place already, have they affected any reductions?

Mr. DEUTSCH: I think so.

Senator REID: But have they? One must remember that the government can hire but cannot fire. . .

Mr. DEUTSCH: There is a good deal of turnover in staffs, and it would be difficult for me to give you a figure as to the number of personnel on any specific day. In the first place we have been short of architects and engineers, and we have not been able to employ the number of architects and engineers we wanted to. That is partly one of the reasons why some of these works do not get carried out as fast as they should. This shortage of skilled technical personnel seems to be a general condition. By consolidating a given amount of work in this way we would hope to be able to do the work with less engineers and architects.

Senator REID: That is a pious hope anyway.

Mr. DEUTSCH: Well, that is a matter of opinion. We would certainly expect in that way to have more work done by less people than would otherwise be the case.

There is another matter I should mention, that while the responsibility for carrying out works is being more completely transferred to the Department of Public Works, as the committee had suggested, there is a difference in the estimates which arises from the fact that while some of the responsibility for carrying out the work on specific buildings is given to the Department of Public Works, yet the estimates for the department concerned carry the expense of that building. Therefore, in looking at the estimates you do not get a picture of who carries out the work. The theory behind this arrangement in the estimates is that where a public building is constructed, which is an integral part of a departmental program we normally show the cost of that building in the estimates of that department. For example, the scientific laboratories for the science service of the Department of Agriculture. Those laboratories are shown in the estimates of the Department of Agriculture but the laboratory is actually constructed by the Department of Public Works. That is done so as to give Parliament a better indication of the cost of particular services. However, if a building is being constructed for general purposes, say a general

office building let us say where there may be five or six departments occupying it, the cost of that would be shown in the estimates of the Department of Public Works. In other words, the general facilities of the Government are shown under the Department of Public Works. If there is a specific facility closer related to work that a particular department is carrying out, the estimates of that department carry that expenditure.

Senator SMITH: What about post offices?

Mr. DEUTSCH: The Department of Public Works carries that. The reason behind it is that many post offices serve more than the post office. They have become general offices.

Senator SMITH: Even a lot of them do not, of course.

Mr. DEUTSCH: That is right, but it was thought better to have them shown in one place. Of course, in the case of the post office you can argue why not show the cost of the post office in the Post Office Department. That is not done, however, for the reasons which I have just indicated.

Senator BOUFFARD: You mean to say the Post Office Service does not carry the expense of that building?

Mr. DEUTSCH: No, it does not carry the cost of the building.

Senator BOUFFARD: Is there any compensation as between the two departments?

Mr. DEUTSCH: No.

Senator GOLDING: The post office is not credited with the rental either?

Mr. DEUTSCH: No, it does not receive the rentals with this exception, that post offices with a revenue of \$3,000 or lower the expenses are carried by the post office, but in excess of that amount it is carried by the Department of Public Works.

Senator BOUFFARD: So that when you look at the figures showing the expense of operating the Post Office Department you do not get a true picture.

Mr. DEUTSCH: Not in that sense, senator. The cost of the buildings are not included in the post office except, as I said, with the one exception of offices with revenues less than \$3,000 per year.

Senator SMITH: Would part of the explanation not be that everybody deals with the post office and that it is in the general public interest that one department should assume the liability.

Mr. DEUTSCH: Yes, Senator Smith, there is something in that. Many of the post office buildings are not exclusively post offices. They are occupied by many other offices, and as you know it thus takes on the character of a public building.

Senator BEAUBIEN: In the case of many of these post offices earning \$3,000 or less the Post Office Department pays the rent, does it not? The post office in a small locality is not a public building. For instance, if a small post office is owned by the postmaster the rent is paid to him by the post office?

Mr. DEUTSCH: Yes, that is paid by the post office, in cases where \$3,000 or less is the annual revenue.

I think this just about covers the ground on public works, Mr. Chairman. This process is continuing. It is the policy of the Government to consolidate all these public works activities under the Department of Public Works except as I said in the cases of the Department of Defence Production and the Department of Transport, in which two cases statutory provision provides that the minister in each case is responsible.

Senator BOUFFARD: Who has the responsibility for military camp houses?



Mr. DEUTSCH: They are the responsibility of the Minister of Defence Production, but in practice many of them are constructed by the Central Mortgage and Housing Corporation by agreement between the two ministers, but the responsibility is that of the Minister of Defence Production, by statute.

Senator TURGEON: Evidently, Mr. Chairman, the recommendations of this committee with respect to the transfer of certain responsibilities from various departments to the Department of Public Works has received very serious consideration. The witness mentioned a transfer of staff from I think he said from two other departments to the Department of Public Works. Have you any idea of the number of staff so transferred?

Mr. DEUTSCH: In the case of the Department of Northern Affairs and Natural Resources the actual transfer took place in three stages. In 1953 the bridge design unit was transferred, involving seven positions; in 1954, 25 positions related to the construction of roads and bridges in the national parks were transferred.

Senator REID: In doing that I do not see that there would be any real economy resulting. For instance, if you transfer a complete staff from one department to the other, where does the saving come in? I know engineers are scarce.

Mr. DEUTSCH: I said positions were transferred, senator. These positions were not all filled.

Senator REID: They were not all filled?

Mr. DEUTSCH: No. We have had great difficulty in getting the number of engineers and architects we have required and in most cases our staffs are not complete.

Certainly the hope is that there will be an overall reduction in the needs for architects and engineers as a result of this consolidation. By way of example in 1955-56 23 further positions were transferred in the process of transferring responsibilities for construction from the Department of Northern Affairs and Natural Resources to the Department of Public Works.

Those are examples of the way staffs were transferred and consolidated in the Department of Public Works. As a result of this process we hope that the staff requirements will be less than they would otherwise be.

The CHAIRMAN: Honourable senators, is it your wish now to question Mr. Deutsch on this part of his report, or that he shall continue? He has some more things he wants to report.

Senator BURCHILL: We have been doing it pretty generally, though some of us have tried to observe the law.

The CHAIRMAN: And some did not. What is your wish?

Senator SMITH: Are you coming back to this report and questioning him later on?

The CHAIRMAN: I expect we would; but as he has completed this part of the report, if you would like to question him on this part of it now, you can do so.

Senator REID: I think we should ask questions on it now, before he passes to another section.

Senator ASELTINE: I think that is the best way.

Senator CRERAR: Mr. Chairman, if I can get my oar in; I have been listening very quietly, and there are some questions I would like to ask Mr. Deutsch. Under the heading "Construction or Acquisition" of buildings, the total in the estimates is over \$384 million. Of this amount \$200 million is for defence production, national defence and civil defence. I notice that there is a sum of over \$11 million under "Construction or Acquisition" for the Department



of Agriculture. As I understand it, Parliament votes the Department of Agriculture this estimate, and then it is made available to the Department of Public Works, which constructs the buildings. Am I right in that?

Mr. DEUTSCH: Senator, as regards the usual functions of the Department of Agriculture proper, the buildings are constructed by the Department of Public Works, although the money is voted to the Department of Agriculture.

Senator CRERAR: That is what I am getting at.

Mr. DEUTSCH: However, I should say that as regards the Prairie Farm Rehabilitation Administration and, I believe, the Marshlands Rehabilitation Administration of the Maritime Provinces—

Senator CRERAR: That is expended direct by the Department.

Mr. DEUTSCH: That is expended direct by the Department. I want to make that distinction. It happens that both these services are under the Minister of Agriculture. But such things as the buildings for the Department of Agriculture—

Senator TURGEON: Experimental Farms.

Mr. DEUTSCH: And Experimental Farms—they have got a considerable maintenance staff themselves—labour and so on—to run the farms, and they do some of these minor things themselves. But the main buildings are attended to by the Department of Public Works; and the science service labs also, although you will find the money is voted in the Department of Agriculture.

Senator CRERAR: I notice under Crown Companies an appropriation of \$1,400,000 for buildings. Can you tell us about this? It is under 13.

Mr. DEUTSCH: This is probably companies like Canadian Arsenals Limited.

Senator CRERAR: There is a group of about twenty-two of them altogether.

Mr. DEUTSCH: Crown companies, yes. I think this is under the Defence part—Defence Production.

Senator CRERAR: No; it is Crown companies in my statement. Defence Production is \$7,500,000, and Crown Companies \$1,414,000.

Mr. DEUTSCH: "Crown companies" is a subhead under Defence Production; and this item here is for Canadian Arsenals, which is a Crown company.

Senator ISNOR: I think the evidence as given by the witness certainly shows that the reports as prepared by your Finance Committee have borne fruit. For the last 4 or 5 years we have stressed the importance of bringing certain of this work under the Department of Public Works which was formerly carried out by other departments; and I am glad that has been brought about. I am interested in the figures mentioned by Senator Crerar of \$384 million, the total as shown in column 13. I am wondering, Mr. Deutsch, whether any department or the Government itself has a complete list showing the dates on which those buildings were constructed, the cost, and the present valuations of these buildings as shown in column 13, amounting to \$384 million. That is one question.

Mr. DEUTSCH: Senator, this figure you quote of \$384 million is the amount which it is proposed to spend in the next fiscal year 1956-57 on public buildings. The details for all the civilian departments are shown in the back of the Estimates book. The biggest item in the several departments is Public Works. All the figures for this department and the others will be found in the back of the book.

Senator ISNOR: That is for one year?

Mr. DEUTSCH: Yes.

Senator ISNOR: Now I would like to ask you if you have a record of all lands owned or controlled by the Government, along with the buildings, showing the dates of construction, the locations and the present values?

Mr. DEUTSCH: Yes. There are records of all land owned by the Federal Government and of the buildings thereon. These records are maintained by the department which has administration over the buildings or the lands.

Senator ISNOR: And if I wanted to find out about a particular building which was erected 10 years ago, I could inquire—?

Mr. DEUTSCH: At the department, yes. The departments that have administration and control of the particular buildings and lands have the records pertaining to them. I might say here that we are at present working on a scheme to make a central index of all that.

Senator ISNOR: I am glad to hear it.

Mr. DEUTSCH: At the present time the records for buildings or land owned by the Government are kept by the Department of the Minister who controls the buildings or land, but each department is kept separately. We are presently trying to develop a central index of all these properties, and that index will be located in the Department of Public Works.

Senator ISNOR: Thank you very much.

Senator GOLDING: Mr. Chairman, I do not know whether we are being side-tracked here. I understood that Mr. Deutsch was going to give us some information with respect to the recommendations that were made by the committee. I understood he was going to give a brief outline of how these recommendations were being carried out. However, apparently we are about to examine the estimates. I was wondering if Mr. Deutsch had further information to give us in reference to the recommendations that were made? He has dealt with Public Works but if he has any further information to give us I think he should do it before we start to examine the estimates.

The CHAIRMAN: Mr. Deutsch has given us his statement about what has happened to the recommendations as far as Public Works is concerned, and at the outset I invited honourable senators to ask Mr. Deutsch questions about his statement.

Senator GOLDING: What we are going to do now, as I understand it, is to examine the estimates. I thought we were going to get information as to the carrying out of the recommendations.

Senator BURCHILL: Mr. Deutsch, would it be a fair statement to say that this change of policy which you have outlined this morning with respect to the Department of Public Works has been due primarily to a recommendation of this Finance Committee.

Mr. DEUTSCH: It is awfully difficult always to say where the main inspiration comes from. Undoubtedly the work done by the Senate Committee has contributed to the progress that has been made by the Department of Public Works. However, it would be awkward to say who thought of this change of policy first.

Senator TURGEON: The study made by the committee has been effective?

Mr. DEUTSCH: Yes, the committee's work has been helpful. That is very true. The committee has specifically drawn attention to this matter and it has helped in carrying it out, but I must say other people have also been interested in this and it would be pretty hard to say who is mainly responsible. It is all helpful.

The CHAIRMAN: You have done very well, Mr. Deutsch. I think you have answered that question very skilfully.

Senator PRATT: We are all aware that a certain recommendation came from this committee. Now, it has been pointed out that with regard to two departments it has not been proved practicable to apply this broad overall control or responsibility. It may be true that in the long run this change in policy will result in a smaller overall staff to carry out all this work, and that one may be able to spot a certain dollar economy in the estimates. However, I wonder if Mr. Deutsch can tell us from his experience whether the passing of complete responsibility from some of the departments to Public Works might result in the officials of those departments hiding behind Public Works in the discharge of their own responsibilities? They may say, "It is not our affair now. It is Public Works' responsibility." There is always the danger of putting too much control in one place. Overall control is one thing, and direct management is another. It has been running through my mind whether the placing of more responsibility on Public Works might not tend to take away certain other responsibilities that should be left in the hands of other departmental officials.

Mr. DEUTSCH: Senator Pratt, you have touched on the age-old argument between centralization and decentralization. This has always been a problem. You can argue on both sides. If you centralize too much you lose the sense of responsibility, and so on. On the other hand, if you decentralize too much you have too much duplication. This is a constant problem that you have in any administration. You have got to strike what seems to be a reasonable and sensible solution. You have to weigh the advantages against the disadvantages. One thing that should be said is that where you have centralization of this kind, where you get the advantages of doing away with duplication, the central agency must be one which gives good service. It is a question of the efficiency of the central agency. In other words, there is no use centralizing things if the central agency is not efficient or is subject to great delays or will not try to meet the particular needs of the people concerned, and so on. That could lead to very bad results. If the central agency is not efficient and effective it may be that the disadvantages of decentralization would be better. That is something you have to work out in every case.

Senator PRATT: It is a matter that cannot be hurried.

Mr. DEUTSCH: No. It takes time. Where we have transferred more responsibilities to the Department of Public Works the department has had to absorb them before trying to take on something else. That is why it has taken time. You cannot overnight build up an organization, especially in this field where you have scarcity of architects and engineers, and make them take on tremendously increased responsibilities and carry them out. It has taken time. They have not tried to take over anything that they could not carry out, and they have only undertaken what they have been sure they could.

Senator EULER: According to what Mr. Deutsch has said the estimates of the Department of Public Works seem to make it clear that you have the cost of the erection of public buildings, and so on, and these public buildings are occupied by various departments. For example, a public building in, say, Kitchener, or any other city. And that building is occupied by the Post Office Department, or by the Department of National Revenue for customs purposes, and it might even have income tax in it. Now, the cost of those buildings which were occupied by these various departments is charged up to the Department of Public Works and does not show in the estimates of these other departments, either Post Office Department or National Revenue Department?

Mr. DEUTSCH: That is right, sir; generally that is the case, yes.

Senator EULER: Would it be possible to show, or perhaps to have, in the estimates, just exactly how much of the costs in the estimates of the Department of Public Works are really attributable or chargeable to the Post Office Depart-



ment or the Department of National Revenue, so that we could get a clear picture of what it really costs to run the Post Office Department or the Department of National Revenue? Is that possible, or must it be hidden in the Department of Public Works estimates?

Mr. DEUTSCH: Senator, I think it would be possible to give an estimate; but it would be pretty difficult to purport to give anything like an exact figure, because where you have one building you cannot always divide it.

Senator EULER: Because as it is now the estimates of the Post Office Department do not really show costs that run that department, or the Department of National Revenue?

Mr. DEUTSCH: That is right. You could make some basis of allocation and probably attribute the cost of the two different departments.

Senator EULER: It is quite substantial?

Mr. DEUTSCH: Yes. I think you will notice if you look at the United Kingdom estimates of departments, where they present estimates to their parliament, they show the amount proposed to be voted for the department, and then show another line, "other costs estimated" for carrying out that service. They include in that the cost of buildings, the cost of stationery, the cost of all other things that are provided. They make an estimate. That item is there for information only, it is not voted, it is just an information item to give you an idea what that whole service costs. They do that in the U.K. That is an indication to you that this sort of thing is possible on some basis of estimation; it would only be an estimate though.

Senator ASELTINE: If several departments pay rent, is that voted?

Mr. DEUTSCH: No, the accounts required to pay the rents are voted in the Department of Public Works; it is not voted in the department concerned.

Senator MOLSON: Mr. Chairman, we have heard about the construction of buildings and the leasing of buildings, but what about the maintenance and cleaning of these buildings; are they with the department concerned?

Mr. DEUTSCH: No. The general policy there, Senator Molson, is the same. We are endeavouring to move that responsibility to the Department of Public Works, of the maintenance, upkeep, and so on.

Senator BOUFFARD: Even of the Post Office Department which is not charged?

Mr. DEUTSCH: That is right; except those post offices which are below seizure, but over that, maintenance and upkeep is done by Public Works.

Senator BAIRD: In other words, we do not get a true picture of these departments at all?

Mr. DEUTSCH: You don't, senator, in these cases, you don't get the costs of the buildings, and rent, and so on; it is not shown in the estimates of the department.

Senator EULER: Nor the maintenance?

Mr. DEUTSCH: Nor the maintenance. Now, while we are on the subject, all furniture for Government departments is provided by the Department of Public Works and the cost thereof is shown in a vote for the Department of Public Works.

Senator EULER: So that the only thing you get as to the cost of the Post Office Department or the Department of National Revenue is the amount of the pay of the civil service employees?



Mr. DEUTSCH: The Department of Post Office, Senator Euler—the main expenditures you see in the estimates are as you said, salaries and wages, and the cost of transportation. Those are the two big items. Then there are some other things.

Senator EULER: Can you give an idea of the percentage of cost of running a Post Office Department, if you included the cost of the buildings and maintenance thereof?

Mr. DEUTSCH: I have not that with me, senator.

Senator EULER: Can you make an estimate?

Mr. DEUTSCH: I suppose someone could give an estimate; it would be quite a job.

Senator EULER: It is quite substantial, is it not?

Mr. DEUTSCH: Yes, it is quite substantial, because they have a lot of buildings.

Senator BOUFFARD: What about the taxation they pay to the provinces and municipalities?

Mr. DEUTSCH: Now, the taxation on the buildings, we don't pay taxes, strictly speaking, we pay grants in lieu of taxes, and those grants in lieu of taxes are carried in the Department of Finance estimates.

Senator EULER: You pay local improvements taxes, don't you?

Mr. DEUTSCH: Yes, senator, and we also pay grants in lieu of taxes, on a certain formula. You are familiar with that. Those grants in lieu of taxes on public buildings are carried in the Department of Finance estimates.

Senator BOUFFARD: So that they do not appear anywhere as part of the expense?

Mr. DEUTSCH: Not in that department.

Senator TURGEON: Gathering from what Mr. Deutsch said previously, so far as any change made (I am thinking of Senator Pratt's question on centralization) on the recommendation of this committee, or any other recommendation elsewhere, the estimates for expenditures pertaining to departments are contained in the estimates of the various departments and have not been transferred to the Public Works Department. The Post Office Department that we are talking of has been under the Department of Public Works for a very long period of time, long before this committee was ever set up, so any change that has come as a result of the recommendation of this committee in the last few years does not affect any decentralization or centralization, because the estimates are applied for and are made applicable to the various departments whose actual constructive work is later carried on by the Department of Public Works?

Mr. DEUTSCH: That is right, senator.

Senator TURGEON: I interpret you rightly there?

Mr. DEUTSCH: Yes, sir.

Senator EULER: I suppose if the Post Office Department actually showed what it cost to run it we might find another increase in postage rates?

Senator ASELTINE: Don't mention it.

Senator SMITH: I believe Mr. Deutsch posed that all the works done by the Department of Transport were being done by statute, and that when anything else is being done by a department, such as Public Works, it has to be done at the request of the Department of Transport?

Mr. DEUTSCH: I will see if I have the act...

Senator SMITH: I am not concerned with the wording of the act, but that is a fact, is it not?

Mr. DEUTSCH: The Transport Act provides that the minister shall be responsible for the construction of railways and canals; it also says that the minister shall direct the construction, maintenance and repair of all railways and canals, and all other work pertaining or incident thereto.

In the aeronautic section of the Act, it is the duty of the minister to construct and maintain all government airdromes and air stations, including all plants, machinery and buildings necessary for the efficient equipment and upkeep.

Senator SMITH: And navigation aids?

Mr. DEUTSCH: There is another section on that: All lighthouses, light ships, floats, lights, lanterns and other signals, beacons, radio aids, anchors, etc., shall be under the direct control and management of the minister.

Senator SMITH: I had that phase in mind when I asked the question. It seems to me there are certain buildings required by the Department of Transport which would more naturally fall to the responsibility of the Public Works. To give you an example of what I have in mind, the Department of Public Works builds a wharf at a point on the coast, and in the same year the Department of Transport builds a lighthouse plus a house for someone to live in. The two departments are working adjacent to each other: While the Department of Public Works are doing some dredging in the same harbour, the engineers of the Department of Transport are supervising the building of a house and a lighthouse. It seems to me there could be some shifting of responsibility in those circumstances.

Mr. DEUTSCH: Yes. Senator, I should say that in such a case as you are talking about the two departments do make agreements with each other as to who should do what work, and sometimes the Department of Public Works does the work on behalf of Transport.

Senator SMITH: I have not known them to do it in such cases as I am talking about.

Mr. DEUTSCH: There may be cases where it has not been done, but it is open to them to do so, and I know cases where they have done it. Perhaps it should be done more than it is.

Senator SMITH: It seems to me to be in the interests of economy to see to it that while engineers are employed in a certain area for one department, that they could at the same time supervise certain other nearby operations taking place at the same time.

Mr. DEUTSCH: As I say, it is certainly open to them to agree to transfer the responsibility to the Department of Public Works. Of course any formal transfer to the Department of Public Works would require a change in the Act.

Senator SMITH: I understand that. A few moments ago you made some reference to the fact that there was house building by the government at Kitimat.

Mr. DEUTSCH: Yes.

Senator SMITH: Does that mean that the government policy is that, for instance, if some newsprint company decided to build a plant in the hinterland, the government would provide houses for its post office employees in that rather remote area? My understanding is that has not been the policy in the past with regard to paper mills and new mining developments. Why should it be the case in Kitimat? My second question is, what is going to happen to those houses when the town is established?

Mr. DEUTSCH: I will take your last question first. It is not the policy of the government to provide houses for its employees where housing is available; the only place they are provided is where housing is not available. We have to provide a staff in such places, and if there is no housing there for them we can't expect them to camp in the open.

Senator SMITH: But the company should provide housing in those circumstances.

Mr. DEUTSCH: The next question is whether in remote areas the government should supply services to a community. It is normal to supply such services as post office, unemployment insurance office, customs and so on. Just because a community is new is no reason why the government should withhold services from it. The question is, when does the community arrive at the stage when services should be provided? It happens that Kitimat is a very big community, and it would not be in keeping with the policy of the government to withhold from it such services as post office, unemployment insurance and customs. In order to supply the services that we would supply to any other Canadian community, it is necessary to provide housing.

Senator SMITH: I was wondering whether the company concerned in that instance had been asked if it considered it part of its responsibility to provide temporary quarters for government employees as it provided quarters for its own personnel.

Mr. DEUTSCH: Certainly, it provides temporary accommodation for its own employees, but the question is, is it proper for the community to expect to get the services received by other communities. We examine the possibility of getting houses without having to build them; if anything is available for rent from the company, we would take it.

Senator SMITH: That is my point.

Mr. DEUTSCH: The company just held up its hands, and said that they were not able to meet their own housing needs. Briefly, I think it is the general policy of the government to avoid getting into business of house building for its employees, but we do so where there is no alternative.

Senator SMITH: Now, what is the answer to my last question as to what will ultimately happen to these houses?

Mr. DEUTSCH: I hope that when the time comes that adequate housing is available, we will try to get rid of the houses. That will depend on market conditions, of course, because we do not want to give them away.

Senator SMITH: In the meantime are these employees paying rent?

Mr. DEUTSCH: Yes.

The CHAIRMAN: Gentlemen, are you satisfied to let Mr. Deutsch go ahead with a statement he has in connection with the other recommendations?

Senator CRERAR: May I just say that when Mr. Deutsch was here last year he explained that the Treasury Board was attempting to set up with the departments a committee to examine estimates before they were finally approved by the Treasury Board. Would Mr. Deutsch now tell us what success has attended that effort?

Mr. DEUTSCH: Senator Crerar, this is another large subject which gets us into a different topic. Do you want me to pursue that at this point?

Senator CRERAR: You could leave it to later if you wish.

The CHAIRMAN: It might be the wish of the committee that we hear Mr. Deutsch on another day also, and I think he is prepared to speak on this other recommendation.

Senator CRERAR: I take it we are on the estimates, then?



The CHAIRMAN: No, on the recommendations that were made, and I would like to keep Mr. Deutsch to that, because he is prepared to discuss that subject now.

Senator CRERAR: May I ask this question, Mr. Chairman? A few years ago, I am not sure whether the committee dealt with it last year or not, there was a recommendation that all Governmental departments be required to budget for their postage and that the franking privilege be done away with except for members of Parliament during sessions.

The CHAIRMAN: That is what I am asking the witness to continue with, recommendations that were given to the Government.

Senator CRERAR: Am I out of order then?

The CHAIRMAN: I have already suggested our witness can go on with his statement.

Mr. DEUTSCH: One other specific recommendation that was contained in the committee's report was as follows. This was in the report of 1952.

That the policy regarding Governmental publications required revision and that a salutary effect might result from requiring departments to budget for postage charges.

This is what you referred to, Senator Crerar.

Perhaps if I may take this last one first. This matter of charging for postage is something which is governed by statute. The existing post office statute provides that mailable matter addressed to or sent by the Governor General or sent to or by any department of the Government of Canada at Ottawa is free of Canada postage under such regulations as are made in that respect by the Governor-in-Council. Now, this is a statutory provision and until that is changed or altered it is the law of the land. This has not been changed so the situation continues as it was.

Senator CRERAR: That is of course a matter which is outside of your particular province, but I think we should have somebody here to answer the question of whether or not any consideration has been given to that recommendation. I mention that particularly, because if you will look at the estimates before us, in column No. 9 the total estimate cost of publication of departmental reports and other material totals \$7,115,405, which is a substantial increase over last year. The point I am making is that there are many departments of Government that proliferate and think they are enhancing their own importance if they get out a lot of publications and send them free through the mails. That is of course a complete anomaly because the carriage of these publications has to be paid for by the post office. The railway companies and the airmail lines do not carry Government publications free, and the point I have been making and I reiterate now is that if these departments were compelled to budget for their postage it would cut down perhaps by 50 per cent expense of these publications which has led, for one thing, to the building up of an immense printing bureau so that the Government can keep up with all this material.

The CHAIRMAN: Senator Crerar, Mr. Deutsch has answered what happened to the recommendation.

Senator CRERAR: Nothing happened to it.

The CHAIRMAN: Nothing happened to it, and I suggest it is hardly fair for him to pursue that recommendation.

Senator CRERAR: Mr. Chairman, let there be no misunderstanding. I recognize that as well as anyone in this committee, but I am saying we should have someone here who can give us some information.



The CHAIRMAN: There are minutes being taken of the proceedings here other than the stenographic report and that may well be a matter to discuss in the Steering Committee when it next meets, and you are a member of that committee.

Mr. DEUTSCH: As long as this matter is on the statute books it is the law of the land.

Senator BURCHILL: You are not in a position even to tell us whether the Government considered it or not, that is not your job.

Mr. DEUTSCH: No, Senator Burchill, it is not for me to comment on that.

Senator CONNOLLY: Any change would involve an amendment to the Post Office Act.

Mr. DEUTSCH: Yes.

Senator CONNOLLY: Perhaps this committee could consider if such an amendment is desirable.

Senator BEAUBIEN: If the postage were payable on these publications an estimate of the amount would have to be included in the estimates.

Mr. DEUTSCH: Yes.

Senator BEAUBIEN: It would not make much difference on the whole.

Mr. DEUTSCH: If I might go on, Mr. Chairman.

The CHAIRMAN: Yes, continue.

Mr. DEUTSCH: The committee recommended that the policy regarding Governmental publications required revision. Well, I might say here Mr. Chairman that the whole procedure regarding the control of Governmental publications has been reviewed and revised since this recommendation came out. A review at that time was taking place while the committee was in session, and after this report came out a complete revision was made of the procedures and controls over Governmental publications. Perhaps I might describe to the committee what procedures and controls are now exercised over this activity. The regulations that have been issued since this report came out provided quite extensive controls. This is an extensive and detailed subject and I do not want to bore the committee, so perhaps I can summarize the main points of them in order to give the committee an idea of the procedures and controls.

Senator BURCHILL: I think if you were to tell us that it resulted in a reduction of costs it would be as interesting as anything.

Mr. DEUTSCH: Well, senator, the point of the whole thing is to achieve economy and efficiency.

Senator BURCHILL: But did it though?

Mr. DEUTSCH: Did it? Well I do not suppose the Treasury Board would have made the regulations if they did not have that effect. That was the intention.

Senator BURCHILL: That does not answer the question, though.

Mr. DEUTSCH: My own feeling is that these regulations are designed to produce economy. Now, when you say show me some figures, you have always got the problem of what would have been the case had they not been there and that I cannot answer, because one thing is certain, Government activities are not static, and that is one thing that one learns is this business. Things are always changing, new things are being added and other activities dropped and they are never the same, so you cannot get a situation where you compare one static condition with another and see what is happening, because in the meantime functions and responsibilities have changed.

Senator BURCHILL: You give a pretty good answer.

Mr. DEUTSCH: And I am afraid that if you ask me for some figures it would be pretty hard to prove the figures and to conclude that some economy resulted. The conditions have changed and all you can say is that without these regulations the expense would have been bigger than they actually are. This is the procedure now laid down. First, the regulations provide that each department whose responsibilities involve the dissemination of information,—educational, promotional, research and otherwise,—shall establish a committee in the department, chaired by a senior official, to review all proposals for publication in that department, before any such publication may be undertaken.

Senator REID: That is for new publications?

Mr. DEUTSCH: That is for new publications. In other words this has the effect of course of having independent judgment in the particular department on the necessity or the desirability of having the publication, aside from the person or branch that has produced it. In other words, the branch or person that produces the material does not make the final decision as to whether it shall be published or not.

Senator EULER: You refer now to new publications?

Mr. DEUTSCH: Yes.

Senator EULER: Does that action also include the revision or reconsideration of publications which have been issued in the past?

Mr. DEUTSCH: If there is to be a reprint, or something of the kind, this question would also have to be reviewed.

Senator CONNOLLY: I think Senator Euler is thinking about continuing publications. May a series be reviewed at any time as to whether it shall be continued as such?

Mr. DEUTSCH: Yes. That is also taken up in another way. I will come to that in a minute. The main point is that any new departmental publication or the reprint of a departmental publication must be reviewed by a committee in the department, chaired by a senior official, so that there shall be an independent review, apart from the people who produced it.

The committees I have been talking about are within each department; but there has also been established an interdepartmental committee which reviews all publications after printing. In other words, any publication that has been issued has to go before this committee, which will look at it and make comments about its format, the expense of its production, the number of copies issued, the way the contents are presented, and so forth, with a view to achieving economy. This review, as I have said, takes place after the material is printed. You may ask why is it not done before printing. The problem, of course, is that you have got a great bottleneck here. If everything which emanates from any department had to be reviewed before it was printed, you would have tremendous delays and difficulties. The idea of having this committee is that when the publication is printed it is reviewed, and if any developments are observed which seem undesirable, the committee will make recommendations to the department and to the Treasury Board regarding this particular matter, with a view to stopping it in the future.

Senator REID: Do they check up on duplications?

Mr. DEUTSCH: Yes; and because they get all documents they are in a position to say whether duplication has taken place, and if anything goes wrong in this respect they make recommendations to correct the situation, and the recommendations, as I have said, go to the Treasury Board as well as to the Department.

In addition to this type of control, any printing project which will cost more than \$5,000 must be specifically approved by the Treasury Board before it can be proceeded with. That applies in every department.

Senator CONNOLLY: In any one year?

Mr. DEUTSCH: In any one year.

Senator ISNOR: Just for the printing; and for the expense of sending it out?

Mr. DEUTSCH: Any costs associated with the printing of it.

Senator ISNOR: Including transportation?

Mr. DEUTSCH: If it is mailed from Ottawa, under the Post office regulations it is transmitted free.

Senator WALL: And the \$5,000 relates to one single job.

Senator ISNOR: How long has that been in effect?

Mr. DEUTSCH: Since 1951.

Senator BOUFFARD: That is, before the committee's recommendation?

Mr. DEUTSCH: Yes, that particular part was in.

Senator TURGEON: When was the supervisory committee first established?

Mr. DEUTSCH: That came in in 1953, after the committee's report.

Senator WALL: Late in the year?

Mr. DEUTSCH: Late in the year.

Senator CRERAR: So far, Mr. Deutsch, it has not produced much in the way of results?

Mr. DEUTSCH: Well, we are not finished yet.

Senator SMITH: Mr. Deutsch, has some examination been given to the checking of mailing lists of the various departments?

Mr. DEUTSCH: Yes. This is a very lengthy business that I am trying to summarize for the committee. These are the main regulations that now exist for the control of these things.

This general regulation applies to all publications;

No illustrations, photographs, drawings and multi-coloured printing are to be used in government publications except when (1) such aids clearly serve a functional value and are essential to a clear understanding of the text matter.

In other words, the general effect of the regulation is to do away with fancy printing unless this is essential to the publication. You may say, when is it essential? For instance, in material like tourist literature, commercial literature, trade literature, all of which must be presented in an attractive way. Therefore, there is this expense. Generally speaking, however, the regulation provides that no illustrations, photographs, drawings and multi-colour printing are to be used in government publications except when such things clearly serve a functional value and are essential for a clear understanding of the text matter. As I say, there are exceptions, and the ones that come ready to hand are things like tourist literature and promotional literature, which clearly have to have pictures.

Senator BOUFFARD: What about the monthly C.B.C. publication? Is that paid for by the C.B.C.?

Mr. DEUTSCH: The C.B.C. is a Crown company and does not come under these regulations.

Senator BOUFFARD: They pay for it then themselves?

Mr. DEUTSCH: Yes.

Senator BOUFFARD: Do they pay for the postage?

Mr. DEUTSCH: I think they do. The C.B.C. is a Crown company and these regulations do not apply to Crown companies. These fancy or costly aspects of publications are not to be undertaken except in these circumstances, and there



is a general regulation to that effect which applies to all Government publications. There are also regulations as to the size of publications. There is always a problem in publications in that they come in all shapes and sizes, which adds to the cost and so forth. The regulations provide for a standard size so as to minimize the cost of machinery, and so on, used in publications. They also deal with the content of the publications. The Queen's Printer is to scrutinize closely any requests for use of cover stock, for instance, on publications containing less than thirty-two pages. In other words, not every publication is to have a hard cover on it. That is costly. There must be a good reason for it, and it must be over a certain size, and so on.

Then there is the question of distribution of documents. First of all, the departments are to screen mailing lists at least once every two years, using a standard questionnaire for that purpose, and refraining from enclosing return envelopes. A report that such screening has been carried out is to be made to the Government's publication committee. In other words, every department is required to screen its mailing list at least every two years on a form that is laid down, and a failure to receive a reply to a form is taken as a request to discontinue the item.

Hon. Senator ASELTINE: Does that apply to the reports of the Divorce Committee?

Mr. DEUTSCH: Yes.

Senator ASELTINE: I thought so because I did not reply and I do not get those reports any more.

Senator SMITH: Mr. Deutsch, are you in a position to know whether all the Government departments are actually screening their mailing lists and making a report to the Government's publication committee?

Mr. DEUTSCH: Yes. Requests can be sent out in many different ways. We have laid down a standard form on which the mailing lists are to be checked. The departments must use that form, and failure to get a reply is to be taken as a request not to renew the item.

Senator SMITH: It may be of interest to know I am getting one publication addressed to "D. Smith, Esq., President, Kiwanis Club". I was president of that club twenty years ago. I am also getting the same publication addressed to "Dr. Donald Smith" and I am also getting it addressed now as "Honourable Senator Smith".

Mr. DEUTSCH: What publication is it?

Senator SMITH: It is a Government departmental publication. I can check on it.

Mr. DEUTSCH: Is it a report of a department?

Senator SMITH: No, it is a publication that comes out monthly.

Mr. DEUTSCH: I would be interested in knowing what it is.

Senator SMITH: I will check on it and let you know which one it is.

Mr. DEUTSCH: In the Treasury Board we check up periodically on the departments to ascertain whether they have screened their mailing lists in accordance with this regulation, and if we find any cases where that is not done we like to check up on it. Just to summarize briefly the matter of initiation of documents: in the first place any single publication costing over \$5,000 has to have the specific approval of the Treasury Board. That is the first control. Secondly, anything that is proposed to be published in a department has to be reviewed by an independent body in that department before its publication is authorized. This means that the person producing the document or the branch producing it has not got the final say. Thirdly, all



publications of all departments are reviewed by an interdepartmental committee, and that committee is requested to make recommendations to the department concerned and to the Treasury Board concerning anything which it considers results in duplication or in unnecessary expenditure. The terms of reference of that interdepartmental committee provide for the review of publications subsequent to their issue, including those printed or processed within the various departments, from the point of view of performance, possible development of material in content, use of obsolete mailing lists, quantities, sale price and distribution. The committee has to review the documents from these points of view.

Senator BAIRD: What about publications of the Department of Public Health?

Mr. DEUTSCH: Everything comes before this committee. A report is to be made to the Treasury Board and to the Minister directly concerned in any publication which has involved unnecessary expenditure. The interdepartmental committee is to keep under review and to report to the Treasury Board on the progress being made in putting into effect the recommendations contained in the report of the committee as approved by the Treasury Board. In other words, it is to keep under check to what extent the Treasury Board regulations are being observed. They report to the Treasury Board on that, and they make recommendations to the Treasury Board as to what is considered necessary to keep the publication and distribution practices of departments on an economic basis. This interdepartmental committee is under the chairmanship of Dr. Wm. Kaye Lamb. The regulations contain certain specific requirements as to the contents of the publications, particularly as to the costly features such as pictures, illustrations and multi-colour printing and things of that sort. These things are not to be done except when they are essential to carrying out particular functions. When a publication has been issued the question of distribution arises. How is it to be distributed? There is a detailed series of regulations provided by the Treasury Board which have to be observed. These regulations are lengthy and I do not want to bore the committee with them, but I might bring out their highlights. The first provision is that: "Except as provided in subsection (c) of this section, all government publications, other than press releases and speeches..." which are ephemeral things—"...shall be listed in daily checklists, monthly, annual and special catalogues, such listings to carry appropriate notes indicating whether they are processed or printed, for sale, available for free distribution generally, in Canada only or abroad only, the source of supply, as departments concerned may direct." In other words, all publications have to be put on a daily check list, except for items like speeches and press releases. There is one exception to this:

In order to avoid unwarranted demands or unnecessary distribution of a Government publication intended for a specific purpose, the issuing department may direct the Queen's Printer to omit such publication from the catalogue and daily check lists.

There are certain publications intended for a specific purpose, and they do not want to create the idea that these are widely available. It is not a question of their being confidential, or anything of that sort, but they are intended for a specific purpose, and they do not want to have them spread around too much because the cost would be too great. One thing I might mention is tourist literature, for instance. The purpose of tourist literature is for distribution to tourists from abroad to encourage them to come to Canada, and these things are very costly because they are done very attractively, as you know, and they don't want them to have a wide distribution in Canada, because the main purpose is to encourage tourists to come from abroad, and we do not want to print many thousands of copies unnecessarily.

Now, the next thing about distribution is important. First of all, these things have to be on a daily check list. Sales:

The Queen's Printer will have general responsibility for the sale of all Government publications, and other departments may sell Government publications only by agreement with him.

In other words, there is a centralized control of all Government publications, and any department may not sell publications on their own except by agreement with the Queen's Printer. So that there is a common policy followed, and a consistent policy followed, throughout the Government. The only exception to this is maps and charts, which are dealt with by the Department of Mines and Technical Surveys. The Queen's Printer carries about 50 per cent in his vote of the cost of all these Government publications. In turn, the Queen's Printer receives the full sale price of the publication. All the selling revenue is collected in one place, in the Queen's Printer.

Senator ISNOR: How is it balanced?

Mr. DEUTSCH: Turned over to revenue.

Senator ISNOR: How is it balanced?

Mr. DEUTSCH: Oh, how is it balanced?

Senator EULER: Does he make any money?

Mr. DEUTSCH: Well, of course the Queen's Printer is making a profit now.

Senator CONNOLLY (*Ottawa West*): Could you say where those figures are available?

Mr. DEUTSCH: In the estimates. You will see the Queen's Printer's section after the vote. Now, the Queen's Printer prints a lot of things he does not sell. He prints the many forms for Government use, and many documents for use inside the Government, and therefore his total costs cannot be assessed in sales activities.

Senator CONNOLLY (*Ottawa West*): But on the 50 per cent cost he makes a profit?

Mr. DEUTSCH: On the sales price.

Senator EULER: On what he sells he makes a profit?

Mr. DEUTSCH: Yes. Proceeds from the sales of all publications made by the departments at prices fixed by the Queen's Printer. I said before that no department may fix a sales price except by agreement with the Queen's Printer.

Senator ISNOR: Just so that it may be made clear, because I think there is some question about this, the Queen's Printer subsidizes 50 per cent of the cost of a publication?

Mr. DEUTSCH: That is right, and he sells it at a price which he thinks is a reasonable price, and he takes 100 per cent of the sales.

Senator SMITH: Where do we find that in the estimates with regard to the Queen's Printer?

Mr. DEUTSCH: You will see it on page 448 of the estimates under the heading, "Public Printing and Stationery", and under the sub-headings of "Expenditure" and "Revenue". The proceeds from the sales of Government publications are put into the Queen's Printer, and they are reported here in one lump sum. There is a specific regulation as to what documents may be

distributed free, and to whom, and the free distribution is confined to that, except for maps and charts which are handled by the Department of Mines and Technical Surveys:

The Queen's Printer shall send without charge copies of each Government publication currently listed in the daily check lists, as follows.

This is automatic, free distribution:

(a) Five copies to the Library of Parliament; (b) two copies to the National Library; (c) one copy each, in English or in French or both, as desired, to the full depository libraries in Canada established by signed agreement with the Queen's Printer and to libraries in other countries as per lists established and revised each year by the Department of External Affairs.

That is the only automatic, free distribution; that is, these institutions which I have listed here automatically get free copies of all the Queen's Printer's publications.

Senator EULER: Do they not go to senators?

Mr. DEUTSCH: I will come to that in a moment.

One copy of the same current Government publications shall be sent on application, without charge, to persons and institutions as follows, provided that requests are made within ten days following the receipt of Checklists:

Here we get back to this Checklist. The Checklist is automatically distributed. All newly published documents must be published on these Checklists, and if a request is received within ten days of the issuance of a Checklist the following may receive one free copy:

(a) Senators and Members of the Parliament of Canada; (b) Ministers of the Government of Canada and their Parliamentary Assistants; (c) Central Library of each Provincial Legislature in Canada; (d) Public Libraries in Canada; (e) University, Law Faculty and college Libraries in Canada; (f) Departmental Libraries of the Government of Canada; (g) Members of Provincial Governments of Canada; (h) Diplomatic Representatives of foreign countries and Trade Commissioners for Canada; (j) The Press Gallery, Ottawa; (k) Daily newspapers and a list of selected weeklies; (l) educational, social or political organizations of international character, libraries or other public institutions in other countries or any official in such countries as may be recommended by the Department of External Affairs.

Senator EULER: Do you mean to say that these publications are not sent unless they are applied for within ten days? I may say that I am getting them every day, and I have never applied for them.

Mr. DEUTSCH: There are some exceptions. If you apply on the check list within ten days you can get the publication.

Senator EULER: And if I don't do that, will I not get it? As I say, I am getting them and I did not apply for them.

Mr. DEUTSCH: In the case of periodicals, which come out say monthly, if you at any time have applied for them you will continue to receive them.

Senator EULER: I have not applied for many, but I get a great many.

Mr. DEUTSCH:

Upon request from the institution concerned, the Minister in charge of the Department of Public Printing and Stationery may authorize



the free distribution of a reasonable number of additional copies of government publications to University, Law Faculty and College Libraries in Canada.

When urgently required in the performance of their duties, Ministers, Parliamentary Assistants, Deputy Ministers, Heads of Commissions, Board, or of administrative services of the Government may obtain free of charge from the Queen's Printer or from any Department, one copy of any saleable government publication; further copies to be requisitioned in the usual way.

Further:

Newly appointed Ministers and newly elected Members of Parliament may obtain free of charge on written request, if available from stock, one copy of all parliamentary papers issued during the previous Parliament and any intervening sessions in the case of Ministers, and, in the case of Members, parliamentary papers issued during the previous session; also current legal documents not available from the Parliamentary Distribution Office.

For all purposes these regulations apply to the free distribution of Annual Reports of Departments, except that the responsibility for distribution to Senators and Members of Parliament shall remain with Departments unless otherwise arranged.

In other words, these regulations apply to the distribution of all governmental annual reports, except in the cases of senators and members of parliament, in which cases the distribution is made by the department.

Senator EULER: That is how we get them without making application.

Mr. DEUTSCH: Yes. The exception is as to senators and members of parliament, but otherwise the regulations apply.

Senator CONNOLLY: Is it not so that some such reports we get only on request? For example, one often finds in his box information to the effect that the report of the Department of Public Works is available, and if you require it you can apply at the distribution office for it.

Mr. DEUTSCH: That is right.

Senator CONNOLLY: In other words, they do not all come automatically.

Mr. DEUTSCH: No. These regulations apply to the free distribution of annual reports of departments. The department may have its own rule as to distribution of its annual report.

The regulations further say: "Nothing herein contained is intended to restrict the practice by departments, of sending government publications, fully paid for by them, free of charge, as answers to enquiries . . ." In other words, if it is necessary to give away a pamphlet in order to supply information in response to a request, that is done; they may also hand out free publications in exchange for publications of a like manner received from other governments or institutions. Some departments issue various types of material, mostly of a research or scientific nature, and it has an exchange arrangement for similar information with other governments or institutions.

Documents may be issued free for promotional purposes, as a part of an authorized administrative program. Of course such publications as deal with trade and tourist promotions are intended to be for free distribution.

The CHAIRMAN: Excuse me, Mr. Deutsch, but I note that while we still have a quorum, our numbers are becoming depleted. There are one or two general subjects that I would expect you to speak on, but perhaps you already



are finding this meeting somewhat tiring. Perhaps it would be advisable to adjourn at this time and discuss the remaining topics at a later meeting.

Senator CONNOLLY: Before we adjourn, may I ask Mr. Deutsch one question. With respect to the \$5,000 ceiling or floor, or whatever you call it, do you think that is a proper figure or should it be lower?

Mr. DEUTSCH: It is a question of detail, Mr. Senator; we cannot bog down the machinery by bringing in too much detail. The cut-off point was made at \$5,000 to enable us to take a good look at the expensive items. In other words, we cannot bother ministers to look at too much detail, and for that reason we cut it off at \$5,000. It should be pointed out that this is not the only control; in other words, before publishing a document which costs more than \$5,000, it has to be approved specifically or it will not go forward; but I should also say that the total expenditures of publications by a department have to be approved by the Treasury Board.

Senator CONNOLLY: In other words, there is a double check.

Mr. DEUTSCH: There is a double check, first on items over \$5,000 and secondly on the total cost of publications.

The CHAIRMAN: Mr. Deutsch, may I on behalf of the committee say how grateful we are to you for the great detail you have given us today. We will look forward to discussing the remaining matters at a later meeting.

The committee adjourned.

Canada, Finance, Standing Committee  
(Senate) 1956

CA. 96. 13 - 1114  
1956

THE SENATE OF CANADA



Government  
Publications



*[Handwritten scribbles]*

PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON

**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957.

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No. 2

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THURSDAY, MARCH 8, 1956

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The Honourable C. G. HAWKINS, *Chairman*

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WITNESS

Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956

## STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

### The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Smith
Campbell	Isnor	Stambaugh
Connolly ( <i>Halifax North</i> )	Lambert	Taylor
Connolly ( <i>Ottawa West</i> )	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Euler	Molson	Woodrow—38.
Farris	Paterson	
Fraser	Petten	

50 Members (Quorum 9)

\*Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

THURSDAY, March 8, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators: Hawkins, *Chairman*; Baird, Barbour, Beaubien, Burchill, Connolly (*Ottawa West*), Crerar, Gershaw, Golding, Isnor, Molson, Reid, Smith, Stambaugh and Turgeon—15.

*In attendance:* The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

Mr. J. J. Deutsch, Secretary to the Treasury Board, was again heard and questioned by members of the Committee.

At 12.25 p.m. the Committee adjourned until Thursday next, March 15, 1956, at 10.30 a.m.

ATTEST.

JOHN A. HINDS,  
*Assistant Chief Clerk of Committees.*



## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, March 8, 1956.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we will come to order.

We have with us as our witness this morning Mr. Deutsch who you will remember at the close of the last meeting was dealing with regulations concerning Government publications. I will ask Mr. Deutsch to continue with that statement. Mr. Deutsch is Secretary of the Treasury Board. He was with us on previous occasions when this committee met and he is now going to continue the statement he made at the meeting which was held a week ago.

Mr. J. J. DEUTSCH, Secretary of the Treasury Board: Mr. Chairman, honourable senators. At the close of the last meeting I was completing my description of the regulations which exist concerning the distribution of Government documents. Before I go on to complete my statement, Mr. Chairman, might I just briefly review the main features of these regulations. In the first place all proposed expenditures on Government publications must be approved by the Treasury Board before the estimates are submitted to Parliament, so there is an overall control in the sense of an overall financial supervision exercised in connection with Government publications. When the estimates are approved by Parliament the department is thus authorized to spend that much money on printing and distribution of publications. In addition to this overall financial control, there are more detailed and specific controls exercised throughout the year.

In the first place the preparation and publication of any document, excepting military training manuals which costs more than \$5,000 has to have specific approval of the Treasury Board even though the money is provided in an overall amount in the estimates. That is to say, particular projects that cost more than that figure have to be specifically approved. Further than that, the regulations provide that in each department there must be established a committee whose duty it is to review all proposals for publications. There you have a review of the need for a particular publication independent of the person or branch which may have prepared it. If it is approved, and is found to be in accordance with the vote in the estimates it goes to the Queen's Printer for printing and publishing. When a document is prepared for publication it has to be prepared in accordance with certain regulations. The regulations provide that it shall be printed on standard sized paper, and that the cost of the covers should be kept to a minimum, and also that the type of printing employed and the kind of illustrations used must be kept down to specified requirements. Normally, it is not allowed to print illustrations or photographs or anything of that sort, or to use multi-coloured printing, except in certain stated exceptions, namely, literature that



has to do with promotion, tourist literature, trade promotion literature all of which obviously has to be presented in an attractive form, and so those are excepted from the general regulations concerning illustrations, colour and so forth. After the document or publication is printed it has to be reviewed by an interdepartmental committee under the chairmanship of Dr. Lamb, National Librarian. He has a committee which reviews all Government publications to see to what extent they are not in accordance with the regulations. If they are found not to be in accordance with the regulations the committee is to report to the Treasury Board and steps will then be taken to correct the situation. Thus, there is a post review as well.

Then, Mr. Chairman, we come to the stage of distribution. There is in existence a detailed set of regulations governing the method of distribution. The free distribution list is prescribed. There is a certain free list beyond which no automatic distribution by the Queen's Printer can be made. Beyond that free list, documents generally are to be distributed on a request basis using for this purpose a daily check list which is sent out and people wanting the document or documents must so indicate. The mailing lists maintained by departments also have to be reviewed, according to these regulations, once every two years. Part of the procedure in reviewing these mailing lists consists in the sending out of requests in a prescribed form and if no answer is received the name is to be struck off the mailing list. We try to check up on departments to see that they are observing these regulations and that they are checking over their mailing lists once every two years. However, this is quite a big task and our staff is inadequate to go around each individual department and check up from day to day or from week to week or even from month to month. Once in a while in going around the departments we find that some particular part of a mailing list has not been reviewed, and when we find that we do something about it. Once in a while something will slip in that should not be there, but when we find out we usually try to correct the situation immediately.

That, Mr. Chairman, pretty well describes in brief the sort of system we have in force covering the distribution of documents. Much of this procedure has developed in recent years especially following the Senate Committee of 1952 inquiry into this question. We wanted to make sure that the sort of things that were in the minds of the committee then were looked after and the result is that now we have a complete set of regulations governing this whole business.

The CHAIRMAN: If any honourable senators have any questions to ask Mr. Deutsch we will have them now, and following the question period Mr. Deutsch will attempt to answer a query that was submitted to him through the Steering Committee in connection with the increase in the Civil Service caused by the adoption of the five day week.

Senator REID: Did your committee review the publications that were being published before the recommendations were made by this committee? In other words, have all publications printed prior to 1952 been reviewed?

Mr. DEUTSCH: Yes. We had, I think it was two or three years ago, an ad hoc committee established that went over all the publications of all the departments and tried, before putting in new regulations covering future publications, to ensure that what was already being done was in accordance with these regulations. As a result of that review, one of the things that was brought about, certainly, was a much greater uniformity in the methods of preparing documents and, so to speak, the scale on which documents would be prepared. At one time there was quite an amount of variation between the amounts of colour and illustrations that were used, some of the illustrations being pretty costly. Different departments had different practices. We wanted

to bring them down to an actual minimum of economy, and to ensure that expensive operations, such as the use of colour on photographs and that sort of thing, should not be done unless necessary. One of the purposes of this review was to try to eliminate the unnecessary features of all these things and to bring them down to some common standard such as we have now prescribed in these regulations. Also the departments were requested to review the need for these various publications, and whether the numbers that were printed were reasonably related to the need for them. These things, as I have said, were reviewed by an ad hoc committee before these regulations were adopted, with a view to getting the existing situation in line with the regulations that were coming out.

Senator BARBOUR: Would you say that the review of the different departments has resulted in a saving?

Mr. DEUTSCH: Oh yes, undoubtedly, sir.

Senator BARBOUR: Of any large amount?

Mr. DEUTSCH: Well, it is difficult to make a financial assessment, because you are not dealing with a static situation. In other words, if you had a situation where these same documents were prepared before and after, and in the same volume, of course you could compare the two things. But the fact is that these things are changing all the time. We feel, however, that had this action not been taken we would have been spending more money.

Senator TURGEON: How long ago is it since this ad hoc committee of which you speak was set up?

Mr. DEUTSCH: This was before my time, its report was made in October, 1952.

Senator GOLDING: You have an increase this year over last year of about \$222,000.

Mr. DEUTSCH: That is right, but the main increase there is on trade promotion.

Senator GOLDING: Could you tell us offhand what was spent for this purpose? It may be that you have not that information, but, say, in 1952?

Mr. DEUTSCH: Spent on publications?

Senator GOLDING: Yes.

Mr. DEUTSCH: I am not sure if I have that here.

Senator CRERAR: Trade and Commerce: that would be trade promotion, would it not?

Mr. DEUTSCH: Yes.

Senator CRERAR: Well, in these estimates the amount under Trade and Commerce is \$351,000, against \$409,000; so that is down.

Mr. DEUTSCH: Well, not only in Trade and Commerce, but in External Affairs, and in some degree in Immigration.

Senator CRERAR: External Affairs is up \$12,000.

Mr. DEUTSCH: Wait till I get the latest figures. Which figure are you referring to? Printing and Publishing? The estimate last year was \$1,212,000, and this year it is \$1,228,000. Are those the figures you are referring to, Senator Crerar? It depends on what you are talking about. Are we talking about printing and publishing? There is another item,—advertising, etc.

Senator GOLDING: The one I was referring to was "Publication of Departmental Reports and Other Material".

Senator CONNOLLY: Column 9.

Mr. DEUTSCH: I was not referring to that. Item 9? I see. "Publication of Departmental Reports and Other Material", yes. You say that External Affairs is up \$12,000?

Senator CRERAR: Yes.

Mr. DEUTSCH: Right. As I recall it, that is due largely to the cost of a publication called "Canada from Sea to Sea", which is a promotional publication. About \$40,000 is spent on this publication, which is distributed abroad.

Senator REID: Does the Bureau of Statistics publish documents for Crown corporations such as Central Housing, or are they on their own?

Mr. DEUTSCH: The Bureau of Statistics? I don't think so, senator.

Senator REID: So that to get a complete picture of all the publications you would have to get the figures for Crown corporations too?

Mr. DEUTSCH: Yes. The expenditures of the Crown corporations on publications are not included in these statistics. One of the main items in the figures this year in the "Publication of Departmental Reports and Other Material" is a rather heavy item in External Affairs, a promotional document, "Canada from Sea to Sea", which is used for distribution abroad, for general promotional purposes.

Senator CRERAR: I notice in item 9, under Citizenship and Immigration, a very substantial increase,—\$78,000.

Mr. DEUTSCH: Yes. There is an increase under Citizenship and Immigration on the publication of documents required in connection with immigrants,—those documents used for promotional work abroad and for giving to immigrants when they arrive in this country—informational documents of all kinds, including text books, I think. Roughly two types of documents are prepared here. One is a set of documents used abroad for promotional work on immigration. There is another set of documents which is used to inform immigrants when they arrive here about Canadian conditions, Canadian problems, Canadian institutions, and so on. There is an increase in the cost of both these types of documents. In other words, it is a promotional matter.

Senator CRERAR: If we get away for a moment from details, and look at the general picture, would it not be a fair criticism, Mr. Deutsch, to say that all the elaborate machinery you have set up to control expenditures on publications does not appear to be effective? Am I possibly wrong on that?

Mr. DEUTSCH: Certainly there would be no point in having all these regulations if they did not produce any results. In terms of showing that a certain financial saving has been made, the difficulty is that the situation is not static. In other words, you have not got the same duties to carry out from year to year. They keep changing. I do know that if these regulations were not in existence we would have spent more money than we are now spending.

Senator CRERAR: I agree. That is probably true. But let me put it this way: if next year the Minister of Finance said to every department, You have got to cut your expenditures under Item 9, "Publication of Departmental Reports and Other Material". "That is all you are going to get." What would happen?

Mr. DEUTSCH: We would publish less.

Senator CRERAR: Would the public interest suffer?

Mr. DEUTSCH: It is hardly my duty to answer that question.

Senator CRERAR: I should not have asked you it.

Mr. DEUTSCH: The problem that arises is this. We are talking about a financial saving. Take a case like this. It is decided it would be a desirable thing from the point of view of Canadian policy that we should publish a document called "Canada from Sea to Sea". It had not been published the year before, let us say, or we were still using existing copies the year before. Then



it is decided that because copies have run out we should reprint this document. This is a document used for promotional work abroad in connection with trade, immigration and so forth to get people abroad interested in Canada from the point of view of trade, investment and immigration.

Senator REID: Do any of these booklets get into Russia?

Mr. DEUTSCH: I cannot answer that, sir. Let us say it is decided to go ahead and it costs \$50,000 or \$100,000. That is going to affect the estimates which in that particular year may go up. At the same time economies may be carried out elsewhere. So you have not got a static situation. You cannot compare one year with the next. All we can say is that if it were not for these regulations and requirements the cost undoubtedly would have been greater.

Senator MOLSON: Mr. Chairman, if we are still on the subject of publications I would like to ask some questions of a more general nature. I will wait if you wish.

The CHAIRMAN: Very well. There will be this next matter of increasing costs in relation to the 40-hour week, and then I thought we would have a general discussion. I would like to finish this one and get on as quickly as possible and complete the things that had been submitted to Mr. Deutsch to be dealt with today.

Senator SMITH: Mr. Deutsch, you made a mention about any item over \$5,000 having to be approved. Were you referring only to printing?

Mr. DEUTSCH: I was referring to the costs of printing, in connection with any one document. If that cost is over \$5,000 it has to have specific approval of Treasury Board.

Senator BURCHILL: Along the lines of what Mr. Deutsch said about not being a static situation, who among us are to say that the publications put out by the National Research Council are not necessary?

Mr. DEUTSCH: The total figure for publications includes all the publications put out by the National Research Council. Again coming back to this question of a static situation, there is not much use in spending a lot of money on research if the results are not made available. If a department says, "We have done a lot of research. The results are now available and we would like to publish them." Are we going to say "Don't publish them." or "Cut down the publication"? In many cases the value of the research is that it becomes available to somebody who can use it. To make it available it has to be written out and published. A good deal of this material under Item 9 concerns publications by the National Research Council: If results have been increasing because of increased research, then we have to publish the results. That is why I say the situation is not static. It should also be brought out that under this item is included all the training manuals produced by the Department of National Defence. They are very considerable. I refer to the training manuals for the Forces. We all know that the kind of defence we now have is increasingly technical and increasingly complicated, and that the documentation that goes with it is also increasingly complicated. Again the situation is not static. All the cataloguing of the Department of National Defence is also included in this figure. Again you have an increasing complexity of military equipment and so on, and it results in an increasing complexity in catalogues and things of that sort. You cannot simply say that from one year to the next there seems to be no reduction. It all depends on the requirements you have to meet. If more research is done then more research publications will be put out, and so on.

Senator ISNOR: I was going to ask a question in regard to annual reports. Before doing so I would like to say I feel that the question of advertising, which I put under Item 9, is not out of line with the general trend



of business. Mr. Deutsch is quick at figures. I wonder if he could tell us what the percentage is of the cost of advertising in relation to our total expenditure.

Mr. DEUTSCH: In the Federal Government, sir?

Senator ISNOR: Yes.

Mr. DEUTSCH: There is an item here called "Exhibits, Advertising, Films, Broadcasting and Displays". That is all in the nature of advertising.

Senator ISNOR: For your last figure in column 9 the total is \$7 million and your total expenditure is about \$4½ billion. What percentage is that?

Mr. DEUTSCH: It is less than half a per cent.

Senator ISNOR: When you think of that and compare it to the amount of money spent by the average business firm it is not out of line at all. We are allowed to spend 4 to 5 per cent on advertising and still the Income Tax people say that that is not out of line. So I think they are doing a pretty good job so far as publications are concerned. Mr. Deutsch, I was going to ask who is responsible for the change in regard to the size of the annual reports? They used to be quite uniform up until a year or so ago, and we used to be able to put them in our bookcases with some degree of uniformity and style and we could pick out the ones we wanted without any trouble. Now we get one five or six inches wide, and another eleven inches wide, and so on. Who is responsible for that change?

Mr. DEUTSCH: I am surprised to hear that. There is a requirement in the regulations that the sizes must not exceed certain limits, and they should be the standard size; the *Hansard* size is the usual regulation.

Senator ISNOR: Yes, the *Hansard* size.

Mr. DEUTSCH: Now, there are some departments that do not print their reports, and they are multilithed to save money, and sometimes they are a different size.

Senator ISNOR: I am speaking of printed annual reports. That is the average size.

Mr. DEUTSCH: Are there some that are not of that size?

Senator ISNOR: I suggest that you look over some of the departmental reports.

Mr. DEUTSCH: Of course, we do not have anything to do with the Crown corporations.

Senator ISNOR: No, but take the Department of National Health and Welfare, for instance; I am not sure of that particular department, however.

Mr. DEUTSCH: Is it printed?

Senator ISNOR: Printed.

Mr. DEUTSCH: Sometimes they multilith. Well, I would like to see them.

Senator ISNOR: I think you should; it throws the whole thing out of gear.

Mr. DEUTSCH: That is one thing we have been trying to avoid. I am rather surprised to know that. I would be delighted to see them.

Senator GOLDING: The Department of National Health and Welfare, for instance, is expanding, and would you not expect it to take in more territory and give more service? Another thing, you will find over in the house there is always automatically more detailed information being given.

The CHAIRMAN: But that has to do with volume rather than size.

Senator GERSHAW: With regard to the Senate and House of Commons *Hansards*, every day we get two or three copies of *Hansard*, and then at the end of the term we get a file of all the *Hansards* of the old term, and then

six or seven months later we get wellbound volumes, six or seven volumes. I would like to ask if all that is necessary, or if any particular use is made of so many *Hansards* being supplied to all the members.

Mr. DEUTSCH: I am rather loathe to comment on what the House of Commons and the Senate requires in this respect. We usually try to provide what the House of Commons and the Senate want to have, and I suppose if the House of Commons and the Senate would like to alter this requirement, I am sure this could be done, but we usually leave that to the authorities in the House and the Senate.

The CHAIRMAN: That does not come under your jurisdiction?

Mr. DEUTSCH: No.

Senator CRERAR: I have a question I should like to put to Mr. Deutsch. Taking individual departments—the Department of Northern Affairs as an illustration, as its designation indicates that deals with that area of Canada which is outside the provinces. Now, we have \$330,000 under "Publications", and so forth, which is up \$15,000 from last year. From memory, could you tell us just what publicity is put out by that department?

Mr. DEUTSCH: One of the big items in the Department of Northern Affairs has to do with national parks. The department administers the national parks of Canada, and there is a great deal of material published concerning the national parks, as you know, senator.

Senator CRERAR: Could it be unnecessary? I speak with some knowledge of that because I had that department for ten years.

Mr. DEUTSCH: Well, these have been published for a long time. But much of the publications in the Department of Northern Affairs have to do with material in connection with the national parks, and also the Tourist Bureau is in this department.

Senator CRERAR: Is the Tourist Bureau in that department?

Mr. DEUTSCH: In the Department of Northern Affairs.

Senator CRERAR: Under Mr. Dolan?

Mr. DEUTSCH: Under Mr. Dolan, and he publishes a lot of material for the Tourist Bureau.

Senator CRERAR: Take the Department of National Health and Welfare. It has a pretty healthy budget. Now, the National Health League of Canada gets a grant from the Government for a monthly publication on health. Is it necessary? Perhaps I should not ask you that question, though.

Mr. DEUTSCH: Senator, I would suggest that it would be more appropriate if that question were addressed to the Department of National Health and Welfare. They have a program of publications to disseminate information concerning health, and that is part of their program, to make available to the Canadian public information concerning health; that is part of their function. I think it is provided for in the statute establishing the department that it should be one of their duties to disseminate information concerning national health—that is the act; and they proceed to do so by preparing various documents, books, material, pamphlets, and so forth, on matters affecting public health, which they then make available to people concerned with health matters—to the general public, and to the provincial governments, and so forth. You know about books like "Canadian Mother and Child", and subjects like that, and it is one of their functions according to the act establishing the department, to prepare such material and to disseminate it.

Senator CONNOLLY (Ottawa West): And it is good.

Senator REID: Regarding the limit of \$5,000, that they can publish under \$5,000, I was interested, and would like to know, how many publications and what is the total of the items they would publish under \$5,000?

Mr. DEUTSCH: Under \$5,000?

Senator REID: Under \$5,000, under which there seems to be no control of the committee you spoke of.

Mr. DEUTSCH: Well, senator, the control that applies to publications under \$5,000 comes under the general control resulting from the fact that the total amount to be spent on publications has to be approved by Treasury Board. In other words, we exercise a general control. We then go further than that with the bigger items. We have a specific control as well. So it would not be correct to say that there is no control under \$5,000. The only trouble here is that although you could reduce that figure, of course, and look at more items, there is a limit to which you can physically go in dealing with the details.

Senator REID: What would be the totals under \$5,000?

Mr. DEUTSCH: I am afraid I haven't got that here. We could make an attempt to obtain this information, but we would have to go through the estimates.

Senator REID: Because it leaves quite a latitude. What about leaflets, for example?

Mr. DEUTSCH: Yes, leaflets would be all under \$5,000. We would get literally hundreds and perhaps thousands of cases, and it is just physically impossible to occupy the time of busy ministers going over these things, and therefore they control them in a lump fashion; in other words, they control the total amount of money made available for publications, and then go further and deal specifically with things over \$5,000. There is a control, but it is a lump control on small things.

Senator REID: The other question I have to ask has to do with duplication of information from the Bureau and various departments. For instance, one can go to the Department of Fisheries and get a bulletin issued by them, or the annual report of that Department, only to find that the same information is put out by the Bureau. The same is true of Agriculture and perhaps other departments. It seems to me there is room for real economy there. Why would you not take a publication from the Department of Fisheries or the Department of Agriculture, without requiring that it be also carried by the Bureau? I am leaving that suggestion with you and the committee.

Mr. DEUTSCH: Senator, the purpose of this inter-departmental committee, as I said earlier, is among other things to watch for duplication of the same material and try to make recommendations for its elimination.

Senator REID: There is a lot of it going on.

Mr. DEUTSCH: I do not want to suggest for a moment that the work is all completed. This is a tremendous task, and it will take a considerable amount of time. One of our purposes in this committee is to see that as progressively as we can we cut out any duplication that exists. Of course, in looking at such a situation we want to make sure that there is no duplication of the same information before we interfere with it. Therefore, one would have to look at each document to see whether in fact there is duplication, and if there is, then it should be eliminated. We are working at that job through the committee.

Senator CONNOLLY: Following up what Senator Reid has said, may I say that the questions asked by him would be brought to the attention of the inter-departmental committee when the report of this meeting is made, and they will take note of the suggestions he has offered.

May I now ask a few questions not necessarily related to what Senator Reid has asked? When the printing is arranged for the various departments, as shown under Item 9 of this summary, is all that printing contracted for or done by the Department of Printing and Stationery?



Mr. DEUTSCH: Yes, it is all done through the Department of Printing and Stationery; that is to say, they either do it themselves or they may contract it out.

Senator CONNOLLY: When they do contract it out, do they call for tenders, or do they allot it according to tender?

Mr. DEUTSCH: They are required to call tenders.

Senator CONNOLLY: And the tenders are called for in a good businesslike way, I suppose, are they?

Mr. DEUTSCH: Yes, they are supposed to be. And if they are above a certain amount, they have to be approved by the Treasury Board. The regulations require that all purchasing contracts go to tender, unless there is a very good reason why they should not, namely when there is some immediate urgency about it, or where there is only one possible source of supply, or something of that sort. But there has to be good reason if tenders are not called; the normal procedure is to call tenders.

Senator CONNOLLY: This is a question on another matter: In addition to the \$7 million odd of the printing that is done, do some or most of the departments have their own duplicating equipment for putting out material of various kinds within the department or outside it?

Mr. DEUTSCH: Yes, some of the departments have some duplicating equipment, though it is of the nature of mimeographing machines and things of that kind. However, we have been trying to centralize this operation. There was a time when departments had something in the nature of printing equipment.

Senator CONNOLLY: Is there not some such equipment now?

Mr. DEUTSCH: In the last several years we have been trying to reorganize this operation towards a centralization of printing under the printing bureau, and taking the departments out of the printing field, so that we can get the benefit of economy by doing these things in one place. That is underway now.

Senator BEAUBIEN: And have you had some success in that respect?

Mr. DEUTSCH: Yes, a good deal of success in that.

Senator CONNOLLY: That kind of machinery is very expensive, is it not?

Mr. DEUTSCH: Yes, generally speaking.

Senator CONNOLLY: And is there much of it purchased?

Mr. DEUTSCH: There was considerable of it purchased in connection with the removal of the printing bureau.

Senator CONNOLLY: That is for the printing bureau?

Mr. DEUTSCH: For the printing bureau. But for the use of departments, we watch that very carefully; we don't allow any department to purchase anything in the nature of a press or what might be called printing machinery.

Senator CONNOLLY: But they do buy and use duplicating machines.

Mr. DEUTSCH: Yes, a number of departments have mimeograph machines and duplicating machines of that kind. Even there, we have created duplicating pools which are operated by the Queen's Printer, rather than having the duplicating equipment spread around three or four departments.

Senator CONNOLLY: The cost to the department of buying and using its own equipment is not, I suppose, included in this item of \$7 million?

Mr. DEUTSCH: No.

Senator CONNOLLY: That would be something in addition to that figure.

Mr. DEUTSCH: It would not necessarily be included in that item.

Senator CONNOLLY: Have you any figure as to what the annual cost might be?



Mr. DEUTSCH: I haven't a figure. This item would not include such matters as the salaries of the people who are employed to operate duplicating machines.

Senator BAIRD: They would not be permanent, would they?

Mr. DEUTSCH: Yes. I am thinking particularly of the Department of Agriculture, where they put out to the public day to day and week to week information as to markets and the movements of products and things of that nature. These are matters that have to be dealt with promptly, and there is no time to search out a printer and wait for weeks and perhaps months to issue a publication. For that reason a good deal of this mimeographing work is done in the Department of Agriculture.

Senator CONNOLLY: Of course that department would be the only practical place where that kind of work would be done.

Mr. DEUTSCH: This sort of work, yes. If there is a delay in publishing it, the information is useless.

Senator CONNOLLY: Would it be possible to get some figures to show the value of the equipment that has been purchased over the past few years for the various departments?

Mr. DEUTSCH: You refer to duplicating equipment?

Senator CONNOLLY: Yes.

Mr. DEUTSCH: Yes, we could make an analysis of it if you wish.

Senator ISNOR: May I ask Senator Connolly if he is asking about one department only?

Senator CONNOLLY: No, my question touched on all departments.

Mr. DEUTSCH: I should add in connection with duplicating equipment in departments, that some work has to do with the internal operations of the department. For instance, when it is necessary to distribute a memorandum, obviously the typists do not sit down and type out a hundred copies; rather, such a memorandum is mimeographed for distribution. Suppose, for instance, that a department wants to issue a notice concerning a personnel regulation inside the department, or some administrative ruling that they wish to make known to everybody in the department, then that would be mimeographed and sent around in that form. Much of this equipment is used for purposes of that type.

Senator CONNOLLY: There is photographic equipment which is used as well. Could that be included in the figure that we will get?

Mr. DEUTSCH: Yes. Some of this duplicating equipment may be of the photographic type.

Senator CONNOLLY: I have just one other question: In the \$7 million for publications under column 9, I think the committee well understands that in the case of the almost \$2,300,000 out of that amount for National Defence, a good deal of that, or perhaps most of that is not for promotional printing. There is, no doubt, some in connection with recruiting campaigns. Likewise in the amount that is allocated to National Research Council, which I notice is up \$160,000 this year; that also is for the printing of pamphlets dealing with the results of research that you have referred to. Now I would think also that a good many of the items in the estimates for the various departments cover the printing of necessary material for the running of the department and has not anything of a character that generally has been described as promotional. Now, is there any way of segregating, let us say what belongs to the category of promotion from what belongs to the necessary printing for the department itself?

Mr. DEUTSCH: Mr. Chairman, I think an approach could be made to that, but a problem of definition arises there, of course. It is perfectly true that

a very large part of this item for National Defence has to do with matters like the printing of catalogues of their equipment, specifications of equipment, training manuals and so forth. There would probably also be some recruiting material.

Senator CONNOLLY: Service orders, for example, is a big item.

Mr. DEUTSCH: That is right. Offhand I cannot say how much is in there for what you might describe as promotional literature. There is also included the cost of publication in connection with the Defence Department's current affairs program. The Department of National Defence runs what is called a current affairs program for the troops. Small pamphlets or booklets are published dealing with Canadian and international problems which are used to inform the troops, and classes and discussion groups study these pamphlets.

Senator CONNOLLY: The cost of printing textbooks for educational work would not be included?

Mr. DEUTSCH: No. The main promotional literature has to do with trade promotion, immigration, the dissemination of information abroad concerning Canada. Also, if you want to call it promotional, there are pamphlets printed on health subjects. Tourist information comes under promotional literature.

Senator REID: Mr. Chairman, under column 9 I notice an item in the amount of \$2,296,125 which is described as total Defence Production, National Defence and Civil Defence. A few lines above that there is an item in the amount of \$2,200,625 for National Defence. What would be included in the first figure that is not included in the other?

Mr. DEUTSCH: Senator Reid, national defence for 1956-57 is \$2,200,625. That is for the Department of National Defence proper. A few lines below that you will see a figure for National Defence, Defence Production and Civil Defence. That is just a total of these three departments. The main item that is not included in National Defence has to do with civil defence. There is an item of \$93,000 for Civil Defence.

Senator REID: That explains it.

Senator MOLSON: Mr. Chairman, a question I would like to ask deals with matters that were discussed previously. I wonder if I might ask one or two questions before we go on to another subject.

The CHAIRMAN: Before doing that I would like to have a short statement from the witness outlining the increased cost of Civil Service due to the adoption of the five day week. Following that we can have a general discussion having to do with some other fields we might go into in connection with the estimates.

Senator ISNOR: Is Senator Molson not wanting to ask a question along the line the rest of us have been asking?

Senator MOLSON: No, Mr. Chairman, it deals more generally with the estimates.

The CHAIRMAN: We will come later to a more general discussion, but first I would like to ask Mr. Deutsch to make his statement on the increased cost of the Civil Service due to the five-day week.

Mr. DEUTSCH: I believe Mr. Chairman, you want me to indicate the effect of the institution of the five-day week on the staff of the Government. We have made an attempt to estimate the increase in staff resulting from the introduction of the five-day week in the civilian departments. We have not been able to get the information on National Defence. For the civilian departments the institution of the five-day week has caused us to add roughly 2,400 people to the civilian staffs of the departments.

Senator BEAUBIEN: That would include all departments except the Department of National Defence?

Mr. DEUTSCH: Yes. I do not know the exact cost of these additions, but I would say it would lay between \$5 million and \$6 million a year anyway.

Senator ISNOR: "Anyway"—what do you mean by that?

Mr. DEUTSCH: I am taking a rough average of the cost per man in the public service which is around \$3,000. But this may be slightly below the average because many who were hired are prevailing rate employees.

Senator BEAUBIEN: Are all the civilian departments today on a five day week?

Mr. DEUTSCH: No sir. About 85 per cent are I would say.

The rule is, as you know, senator, that the five-day week was not brought in all at once, but progressively, as the particular locations generally went on the five-day week. In other words, the Government followed the prevailing practice. If the prevailing practice in the particular place was a five-day week the Government applied it also to its own employees. There are still a number of places where it is not the prevailing practice, and in such places it is not in effect as far as Government employees are concerned. Also there are certain exclusions at the present time: for instance, firefighters, watchmen, and hospital employees except in British Columbia.

Senator CONNOLLY (*Ottawa West*): And the Secretary of the Treasury.

Mr. DEUTSCH: I might say, most of the senior civil servants. So it is not universal, and the numbers involved whom we have to add are roughly of the order of 2,400 people. These increases have to do primarily with people required because we have to give in many places a five-and-a-half or six-day service: For instance, in Customs and Excise, at border points, even if there is a five-day week we have to have people on the job six days. Almost the whole of this increase has to do with situations of that kind. Frankly, where it was not necessary to provide a five-and-a-half or six-day service, we have not normally accepted the five-day week as a reason for an increase in staff. In other words we have had to be shown that the increase of staff was needed because we had to provide five-and-a-half or six-day service; but otherwise we have not accepted the proposition that, where a five-and-a-half or six-day operation is not necessary, because a five-day week is put into effect we must add to the staff. This increase relates primarily to additional staff required because we have five-and-a-half or six-day operations.

An hon. SENATOR: How much has the institution of the five-day week cost?

Mr. DEUTSCH: I would say, between \$5 million and \$6 million.

Senator WALL: How do you defend from the point of view of justice the fact that in some places you give a five-day week and in other places, with essentially the same service, you do not?

Mr. DEUTSCH: It has been based on the fact that the Government follows the prevailing practice. Of course the same question arises in connection with any other employment: People in a particular locality where the five-day week is not in effect are employed at the same work longer than people in other localities who work on the five-day week. There is no difference as far as the Government is concerned: It follows, as I have said, the prevailing practice. If the prevailing practice is a five-day week, we follow it; if it is not, we treat our employees according to the practice prevailing in that area. From a philosophic point of view, of course, one can argue both ways. But the fact is that in one place people who are not employed by the Government work five-and-a-half days, while people in other towns, in exactly the same class of employment, are working five days a week.

Senator BAIRD: In other words, one can expect an increase on that 2,400 figure as time goes on?



Mr. DEUTSCH: I suppose, as more and more locations go on the five-day week, we shall follow the prevailing practice. There is another point in this connection, where the prevailing practice is five-and-a-half or six days a week the community tends to operate on that basis, and people who come downtown to transact their ordinary business at any time over that period expect to be able to do business with the Government on the same basis. So there is some logic in the practice.

Senator CONNOLLY (*Ottawa West*): Of course you cannot do any business with the railroads on that basis.

Senator WALL: Are people operating on the five-and-a-half day week paid rates commensurate with that period of employment as compared with others doing the same kind of work for only five days? Supposing I am working a five-day week in one community, and am moved to another place where I am expected to work five-and-a-half days at the same type of occupation: do I get more pay for working the additional half day?

Mr. DEUTSCH: No. But I should say that the very large proportion of Government employees are on the five-day week. There is a small group which is not, but the policy has been to move to the five-day week as soon as the prevailing practice will justify it. I might say that we have had representations to make the five-day week universal, and I believe my minister, Mr. Harris, stated in the house the other day that he is giving consideration to that request.

The CHAIRMAN: That is a matter of policy.

Mr. DEUTSCH: That is a matter of policy, of course.

Senator ISNOR: Mr. Deutsch, I do not question your figure of 2,400, but it appears to be very, very small. I base my statement on the large number of employees in the Post Office Department. Now could you tell what proportion of those 2,400 employees are in the Post Office?

Mr. DEUTSCH: Oh, about 1,300.

Senator ISNOR: If I remember, that is the same figure that you gave last year—1,300.

Mr. DEUTSCH: Of that 2,400, about half are in the Post Office.

Senator ISNOR: You are speaking of permanent employees?

Mr. DEUTSCH: Yes.

Senator ISNOR: The great bulk of these workers are not permanent employees but are, rather, what is known as casual employees; and when you refer to British Columbia, that includes practically all the civilian casual employees?

Mr. DEUTSCH: This figure of 2,400 would not include casu-als.

Senator ISNOR: Could you give an estimate—

Mr. DEUTSCH: Of the increase in casual employment resulting from the five-day week?

Senator ISNOR: Yes.

Mr. DEUTSCH: I have not that here. It would be quite a job to work that out. There would undoubtedly be some increase in casual employment resulting from the five-day week.

Senator ISNOR: Just some, or double that figure?

Mr. DEUTSCH: I don't think it would be anything like double. There would be some, particularly I think in the Post Office and some other places. But I have not got the figure of what the increase in casual employment is.



Senator ISNOR: I am inclined to think that, when that figure is compiled, you will find that it represents three, four or five times as many employees, all over Canada. In British Columbia the workers in the dockyard have been put on a five-day week. The employees in Halifax dockyard are still working five-and-a-half days, if I remember rightly, and they have asked to be placed on the same basis as British Columbia. It is because I am thinking of the number of employees in the dockyard alone that I say there must be four or five times the number of casual civilian employees as compared to permanents.

Mr. DEUTSCH: Yes. Well, senator, as I said before, this figure of 2,400 has to do primarily with the additional staff required because we have to give service for five-and-a-half or six days per week. Now, we have not generally accepted requests for increases where the  $5\frac{1}{2}$  or 6-day service is not required. Therefore, we have generally assumed that the same volume of work could be done for all practical purposes in the 5 days as well as in the  $5\frac{1}{2}$  days. This is one of the great arguments that has been made about the 5-day week, that you can get as much work out of 5 days as out of  $5\frac{1}{2}$  days because people can work at a more concentrated pace and organize themselves better and put in more effort. That is open to argument and I am not commenting on that. It may be that in a place like a dockyard, which is an industrial operation, they may be able to do as much in 5 days as  $5\frac{1}{2}$ . Whether that is true or not I don't know.

Senator GOLDING: It just can't be done.

Mr. DEUTSCH: It may not be possible in an industrial operation of that kind. I do not know. What the result would be as to putting them on a 5-day week in terms of not getting the work done as fast, I just have no information.

Senator ISNOR: I am not going to raise the question as to whether they can or cannot, but I do contend you have not as yet answered the question put to you by the Steering Committee with respect to the result of adopting a 5-day week. To get a complete answer you must not only take into consideration the 2,400 extra permanent employees, but you must give at least an estimate of the overall picture.

Mr. DEUTSCH: The overall picture would take into account the additional casu- als that have to be employed. I have not got that figure.

Senator ISNOR: Can you get it?

Mr. DEUTSCH: I can try to. I may have to give you an estimate. We will do that. Usually in our statistics on numbers of employees, casu- als are not included because some of them work for a week or a month or three months, and so on. You are adding together things which are really not properly added together.

Senator ISNOR: I think you are complicating it. All you need do is to take your monthly payroll from any big institution and multiply accordingly.

Mr. DEUTSCH: Yes, we can convert them into man years; but if you are talking about the number of casu- als you have an unreliable figure.

Senator CRERAR: Mr. Deutsch, the 5-day week for all clerical workers is in effect in Ottawa, is it not?

Mr. DEUTSCH: Yes.

Senator CRERAR: How many hours a day during those 5 days do the civil servants work?

Mr. DEUTSCH: Thirty-seven and one-half.

Senator CRERAR: Is that exclusive of coffee breaks in the mornings and afternoons?

Mr. DEUTSCH: There is no provision for coffee breaks.

Senator CRERAR: Is it a customary practice?

Mr. DEUTSCH: Employees in some departments do, and in other departments they do not. There is no such things in the rules to say an employee can have ten minutes off for a coffee break.

Senator CRERAR: But it is winked at.

Mr. DEUTSCH: I suppose some have coffee in their office and some run downstairs to get it. I mean there is no general rule. Some of the departments may have their own rules about this. I believe some do.

Senator BAIRD: Are the departments allowed to do as they like? Is there no general supervision over the employees at all? I think this coffee break is a very serious matter throughout the whole Civil Service. Some of the employees must take off 40 minutes a day for coffee breaks. I have seen some of them. I have kept a close watch on it.

Mr. DEUTSCH: This matter of coffee breaks and tea breaks is something that has—

Senator BAIRD: Crept in.

Mr. DEUTSCH: —crept in, yes, to some extent. Some departments have their own rules about it, having the theory that "Well, we might as well make it regular." They lay down specific rules for coffee breaks, saying "You may take so many minutes off at such and such a time so that we can get this whole thing over with." They feel it is more efficient to supervise it rather than let people go out at all hours of the day for coffee. People do leave their rooms to do various things, and some of the departments have tried to make it orderly by saying "We will have a few minutes off for coffee and everybody can take a break and go back to work together."

Senator MOLSON: The same problem is found in industry.

Mr. DEUTSCH: Yes. The Government is not unique in this. It is a general problem and it is hard for the Government to escape it. Many industries have rules about it. They recognize the coffee break and provide certain regulations for it.

Senator CRERAR: Without offering criticism, which I am of course very loathe to do, would it be a fair statement to say that coffee and tea breaks reduce the working week by an hour and a half.

Mr. DEUTSCH: I could not make any comment on that. I do not know.

The CHAIRMAN: As a matter of fact, Senator Crerar, I do not think you should ask Mr. Deutsch that question. It is getting a little beyond the line. There is nothing new about coffee breaks. I have been in the timber industry for fifty years. It is about as tough an occupation as any with respect to disciplining and driving men, and for most of those years the employees have taken what they call a "mug up" period lasting fifteen minutes twice a day. The mills actually stop production. I think we have pursued this as far as we should.

Mr. DEUTSCH: The general rule is that the departments are required in their administrative function to see that no abuses exist.

Senator BURCHILL: I think our chairman, Senator Hawkins was thinking of a 12-hour day.

The CHAIRMAN: It has come down to an 8-hour day now and the mill employees still take these breaks.

Mr. DEUTSCH: It is the duty of the departments to see that no abuses exist, and they have tried to work out what seems to be sensible rules and regulations about it.

Senator ISNOR: How is the 37½-hour week made up?

Mr. DEUTSCH: The employees are not all on the same hours.

Senator ISNOR: Could you give us one example?

Mr. DEUTSCH: The usual working day is from 8.30 to 5.15. However, there is a staggering of hours in Ottawa, so that not all the departments start at the same time and end at the same time. This staggering of hours is done in order to spread out the load on the transportation system in Ottawa.

Senator REID: From half past eight to half past twelve is four hours. I presume they would have an hour off for lunch?

Mr. DEUTSCH: An hour and a quarter. The lunch hours are not all uniform either.

Senator REID: It comes close to eight hours a day. Thirty-seven and a half hours is hard to figure out.

Mr. DEUTSCH: Seven and a half hour day. There is an hour and a quarter for lunch, which is usual, but that is not uniform. The departments are given some flexibility in arranging these hours, but they must total  $37\frac{1}{2}$ ; however, there is flexibility in arranging starting times, and lunch hour periods, and quitting time. The purpose of this flexibility is to avoid jamming up the transportation system; otherwise there would be a worse jam than ever at five o'clock; therefore, it is staggered, and we have not uniform starting and quitting hours.

Senator CRERAR: What salary does a Grade 2 stenographer get, or a Grade 2 clerk get?

Mr. DEUTSCH: The maximum is \$2700 for a clerk 2B.

Senator STAMBAUGH: Coming back to this 40-hour week, you stated that 2,400 additional employees were taken on when the 40-hour week was established?

Mr. DEUTSCH: Those were permanent employees.

Senator STAMBAUGH: About what percentage do they amount to?

Mr. DEUTSCH: Of the total?

Senator STAMBAUGH: Yes.

Mr. DEUTSCH: Oh, it is between one and two per cent, I would say.

The CHAIRMAN: Now, senators, I think Mr. Deutsch has given us a very clear explanation of the problems placed before him in connection with the recommendation of the committee to the Government. There are several other questions that I know members want to ask, and the time is getting along. I notice that quorums are hard to keep after twelve o'clock, and I would like to give members an opportunity now to ask general questions in connection with administration. I stopped Senator Molson twice, and now I should like to give him a chance to ask questions.

Senator MOLSON: Thank you, Mr. Chairman. I would like to go back to last week's meeting of this committee and ask one or two questions about the estimates in general. One of the items that emerged then was that no rentals were charged to some departments, or many departments, for the use of buildings or for the construction of buildings which had been charged to the Department of Public Works. Now, in these estimates I would like to ask Mr. Deutsch how much would the Department of Public Works be relieved if proper charges were made to the various departments for these items?

Mr. DEUTSCH: Shall I answer you know, senator?

The CHAIRMAN: Possibly there will be a few questions, and it might be better to give an indication of what the questions are, and then Senator Molson



can continue with his questions. So I am afraid we will have to ask you to come back another day, Mr. Deutsch. I do not think it is fair at this late hour to pursue the matter too far.

Mr. DEUTSCH: Perhaps I may be able to answer Senator Molson's question right away; in fact, perhaps I could answer him even a little more broadly. The Department of Public Works not only provides buildings for the usual Government departments, but also maintains them, cleans them, pays the light, heat, and all that; and I have figures here that indicate some of the cost in connection therewith. For instance, in Ottawa there is an item in the Public Works estimates for the maintenance and operation of public buildings and grounds—that is not construction, but only the keeping and maintaining, cleaning and heating them, etc., and paying the rent; in Ottawa it is \$14,456,000.

The CHAIRMAN: That is in the city alone?

Mr. DEUTSCH: The city of Ottawa alone.

Senator CONNOLLY (*Ottawa West*): And in what estimates are they?

Mr. DEUTSCH: Ottawa.

Senator CONNOLLY (*Ottawa West*): Entirely?

Mr. DEUTSCH: Yes. In buildings other than Ottawa, it is \$23,885,000. The two added together are about \$38 million.

Senator BURCHILL: That is not construction at all?

Mr. DEUTSCH: No, maintenance, upkeep, rent, and so on.

Senator MOLSON: That brings up my second question, Mr. Chairman. Some of these buildings are used exclusively by one department?

Mr. DEUTSCH: Yes.

Senator MOLSON: Are there many such buildings?

Mr. DEUTSCH: I would say, senator, yes, there are quite a large number that are occupied exclusively by one department.

Senator MOLSON: One of the largest users, I suppose, is the post office?

Mr. DEUTSCH: The post office, yes.

Senator MOLSON: What would be the net position of the Post Office if its estimates were loaded with a reasonable charge for the maintenance, upkeep, cleaning, heating, of these buildings?

Mr. DEUTSCH: I would have to get that, senator. I am sorry I haven't that with me, the particular allocation to the Post Office. It is quite a calculation to make. There are literally thousands. We could attempt to make such a calculation for you, if you like.

Senator MOLSON: There is another item in the estimates for 1955-56 of nearly \$7 million, and that concerns the grants to municipalities in lieu of taxes. Now, presumably there would be taxes on these same buildings?

Mr. DEUTSCH: Right, sir.

Senator MOLSON: So that there is almost another \$7 million to add to the previous figures in that respect, is that correct?

Mr. DEUTSCH: That is right, senator. The Government now pays grants in lieu of taxes on public buildings. The amount required for that is voted in the estimates of the Department of Finance, and that is in respect of all Government buildings; it is not allocated into different departments.

Senator CONNOLLY (*Ottawa West*): If I may interrupt, because it is along the line of Senator Molson's questioning. The answer that you have just given to Senator Molson covers buildings that are owned by the Government and upon which the Department of Finance provides for tax payments in its estimates?



Mr. DEUTSCH: That is right.

Senator CONNOLLY (*Ottawa West*): But in addition to that, with respect to the buildings that the Government rents, taxes are also paid?

Mr. DEUTSCH: Yes, but there the Government does not pay them directly, it is included in the rents.

Senator MOLSON: Then, Mr. Chairman, might I ask Mr. Deutsch what other hidden charges may there be in these estimates? We have reached a figure of \$44 million roughly, so far. What other charges are there hidden in the estimates that might under normal accounting procedures be charged to the individual departments concerned?

Mr. DEUTSCH: Senator, there is a long list of them.

Senator MOLSON: I thought so.

Senator CONNOLLY (*Ottawa West*): Have you the list?

Mr. DEUTSCH: I have the list here.

Senator CONNOLLY (*Ottawa West*): You have the list?

Mr. DEUTSCH: I will not say it is completely exhaustive at this point, but certainly it covers the ground, generally. To take a very broad view of the subject, there are many services that are general services to all departments. Now, the question is how far do you want to go? I might even mention a thing like the Civil Service Commission, which serves all Government departments, and it is there for that purpose; it does not serve itself, it does not serve the public, it serves all Government departments, and it costs \$2.6 million. You might say the same about the Auditor General; he serves all Government departments; the expenses of his office are \$700,000. Then there is the Comptroller of the Treasury, who does the accounting work for all government departments. The cost for that service, \$15 million, is carried in the Department of Finance. The telephone service in the city of Ottawa, at a cost of \$1,100,000 is also carried in the Department of Finance, and the services are not charged to individual departments.

Senator CONNOLLY: What about telegrams?

Mr. DEUTSCH: Telegrams are charged to individual departments.

Then there is the contribution to the Superannuation Fund on behalf of all government employees, which is paid by an item in the estimates of the Finance Department, a cost of \$31 million. That as I say is on behalf of employees in all departments of government.

The government has certain employees which come under the Unemployment Insurance Fund; the contribution of \$1 million made to that fund, is charged to the Department of Finance; similarly, the contribution made to the Death Benefit Fund on behalf of all employees is charged to the Department of Finance. That amounts to \$275,000.

This next item may not be particularly relevant here; it is an item of \$531,000 having to do with the maintenance and improvement of grounds adjoining all government buildings in the city of Ottawa, which is charged to the Federal District Commission.

Senator BEAUBIEN: That comes under the act.

Mr. DEUTSCH: Yes. In other words, instead of every government department doing its share to maintain the grounds around certain government buildings, or even leaving it to the Department of Public Works, which maintains the building itself, this item is charged to the Federal District Commission, which in any case is concerned with maintenance of the park facilities around Ottawa.

The furniture and supplies to all government departments is handled by the Department of Public Works, but the cost is charged to the Department of Public Works, and not to the individual department. That is an item of \$2,128,000 covering all government departments.

The Bureau of Translations is a translating service for all government departments, and its cost—an item of \$1,162,000—is charged to the Secretary of State department.

Senator GERSHAW: Mr. Chairman, is that not all an effort to have the expenditure handled by the department best able to do so and have it operated from one place; and further, does it not result in a saving to the taxpayer by way of concentrating similar work in one department?

Mr. DEUTSCH: Yes, Senator, for these centralized services, it is precisely for the reason that it is more economical that we do it that way. That does not mean, however, Senator, that even though it is paid for and handled centrally, that we could not still make an estimate of what is allocated to the individual department, from a statistical standpoint. For instance, in the United Kingdom, an estimate is made by way of information on the various amounts that are allocated to several departments. I might refer to a sample having to do with the post office in the U.K., and the breakdown which follows the total estimate. It is as follows:

Total expenditure in connection with this service is estimated as follows:

Gross Estimate .....	£ 280,599,980
Estimated amounts included in other estimates in connection with this service	
Exchequer and Audit Department .....	25,419
Government Actuary .....	50
Government Chemist .....	7,080
Royal Mint .....	2,500
Home Office .....	10,000
Department of Registers of Scotland .....	120
Board of Trade .....	125
Ministry of Works—Buildings, Maintenance, furniture .....	4,452,000
Rates .....	2,068,550
Stationery and Printing .....	4,100
Printing, paper, books .....	1,603,325
Office supplies .....	180,575
Central Office of Information .....	28,450
Surveys .....	21,000
Ministry of Transport .....	300
Civil Aviation .....	1,200
Ministry of Pensions .....	170
Customs and Excise .....	200
Inland Revenue .....	14,040

While these items are not actually voted for each department, they are simply put in for information.

Senator MOLSON: May I say, Mr. Deutsch, that in addition to what you have said there is always the hardy perennial the Post Office Department, which has many expenditures for which it perhaps does not receive credit. I notice, for instance, in the estimates of last year roughly \$5½ million is charged to that department. I suppose that is postage outside the city of Ottawa.

Mr. DEUTSCH: That is correct.

Senator MOLSON: I should like to ask one further question. From what has just emerged, it would seem that some departments are charged with certain items, while other departments are not; in other words, they do not all receive the same treatment with respect to items shown in the estimates. It would seem to me not to be a wrong observation to make, that perhaps the principle of accounting for these items may leave something to be desired. Therefore, if this committee is to deal with a volume of estimates such as these and inquire into them, it would be considerably easier to do so if all charges were debited to the various departments on a unit cost basis. In that way there would be some basis for comparison. I should like to ask Mr. Deutsch if he does not feel that perhaps the accounting principles involved could be improved upon. I do not think, may I say, that that is a question of policy, but rather a practical question.

Mr. DEUTSCH: Senator, if you want to find in the estimates book an indication of the overall cost of any service, you will not find it because part of that cost in many instances is borne centrally. Now, if parliament wants to see information which will enable it to judge of the correctness of the overall cost of a particular service, it would be necessary to make a separate estimate of this kind. That becomes a question of what parliament wishes to see. It is quite true that the existing estimates do not give an accurate accounting picture of costs. If it is desired to see what the overall cost is, then that could be improved. But it is not a matter for me to decide; it is for Parliament to decide what it wishes to see.

Senator GERSHAW: Would that be an expensive proposition?

Mr. DEUTSCH: No. It is a matter of estimating. It would take some time of course to make these estimates, discussions would have to take place and so on, but I cannot say it is an expensive proposition.

Senator GOLDING: But it will all cost money?

Mr. DEUTSCH: Yes. We would have to figure out how we are allocating these costs. We would have to sit down and work this thing out, and that all takes time and effort, but I cannot say it would cost an enormous amount.

Senator CONNOLLY: Mr. Chairman, I think that the point raised by Senator Molson is a very important one. Probably the committee is very much interested in accounting methods and methods of estimating too. This may not be the kind of suggestion we could consider or act upon, but I wonder, in view of the fact that Senator Molson has raised the point if we could not give some consideration to having the Auditor General come before the committee to go into it. I do not think it is a question for Mr. Deutsch but rather one for the Auditor General, who is an official of Parliament.

Senator TURGEON: The Auditor General has appeared before our committee on previous occasions.

Senator CONNOLLY: He would be able to help a great deal on this point, I am sure.

The CHAIRMAN: Mr. Deutsch has been on his feet for almost two hours this morning, and it must have been tiring for him. Before we adjourn I would like to know what is the wish of the committee as to pursuing this query a little further and having Mr. Deutsch come back another day. He has a pretty good idea now as to what is in the minds of the committee.

Senator TURGEON: We could of course do that when we are considering the report to be made. At that time we could give consideration to the question of whether we should recommend a change.

The CHAIRMAN: But if we have the information it may be decided not to include it in the report.



Is it the wish of the committee that we have Mr. Deutsch back at our next sitting?

Senator ISNOR: I would like to see Mr. Deutsch come back for at least one more meeting. I have in mind an item which Mr. Deutsch mentioned this morning, Superannuation, for which \$31 million is in the estimates. I would like to pursue that a little further, first as to the total amount, and as to whether this amount is invested and whether it could be invested to greater advantage from the point of view of the national interest. Yes, Mr. Chairman, I would like to see Mr. Deutsch back at a further meeting.

Senator CRERAR: Mr. Chairman, I have one observation to make, and this is an old friend of mine. It covers the cost of administration of the Annuities Act, vote 181 in the estimates. The estimated expenditure this year is set down as \$1,071,447, which is up nearly \$21,000 over last year. That is a totally unnecessary activity of Government now. I would like Mr. Deutsch to bring information to the committee, which is readily available in his department showing the amounts that have been paid in over the years to keep the annuities fund in the Labour Department ahead. It is five or six years since we had a look at this. I would very much like to get that information up to date.

The CHAIRMAN: Do you not think it would be better to have the Labour Department come before us on that?

Senator CRERAR: We could, but I am asking Mr. Deutsch to supply us with the information which he can very well do from the Treasury Board, information as to various contributions made in the various years to keep the annuities fund ahead, and what the total amount is today.

The CHAIRMAN: Is it the considered wish of the committee that we have Mr. Deutsch back at the next meeting?

Some SENATORS: Agreed.

Senator SMITH: Mr. Chairman, I am wondering whether all the figures that Mr. Deutsch referred to, such as \$31 million, \$1 million and \$6 million will be on the record.

The CHAIRMAN: They will be on the record.

Senator STAMBAUGH: Mr. Chairman, there is a point I would like to be made clear about. Mr. Deutsch told us that the Department of Public Works is taking care of the maintenance of all Government buildings. Does he include the buildings of the Department of National Defence, like the Army Building?

Mr. DEUTSCH: No, I should have mentioned that the Department of National Defence in most cases looks after its own buildings.

The committee adjourned.















Canada, Finance, Standing Committee  
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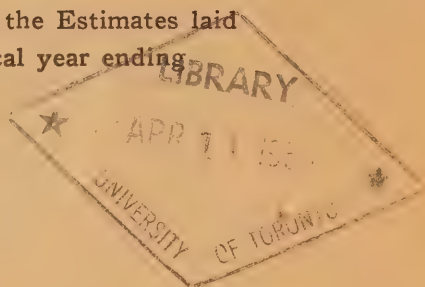
PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON

**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending

March 31, 1957

No. 3



THURSDAY, MARCH 15, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES

Mr. J. J. Deutsch, Secretary to the Treasury Board.

Mr. H. D. Clark, Pension Adviser, Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956

## STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

### The Honourable Senators

Aseltine	Gershaw	Pirie
Baird	Golding	Pratt
Barbour	*Haig	Quinn
Beaubien	Hawkins	Reid
Bouffard	Hayden	Roebuck
Burchill	Horner	Smith
Campbell	Isnor	Stambaugh
Connolly ( <i>Halifax North</i> )	Lambert	Taylor
Connolly ( <i>Ottawa West</i> )	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Euler	Molson	Woodrow—38.
Farris	Paterson	
Fraser	Petten	

50 Members (Quorum 9)

\*Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

THURSDAY, March 15, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators Hawkins—*Chairman*, Aseltine, Baird, Barbour, Beaubien, Bouffard, Burchill, Crerar, Dupuis, Euler, Gershaw, Golding, Haig, Horner, Isnor, Molson, Pratt, Reid, Smith, Stambaugh, Turgeon and Woodrow.—22.

*In attendance:* The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following were heard:—

Mr. J. J. Deutsch, Secretary to the Treasury Board.

Mr. H. D. Clark, Pension Adviser, Treasury Board.

At 12.15 p.m. the Committee adjourned until Thursday next, March 22, 1956, at 10.30 a.m.

Attest.

JOHN A. HINDS,  
*Assistant Chief Clerk of Committees.*



## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, March 15, 1956.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum: I will ask you to come to order, please. You will recall that the Steering Committee asked us to have supplied to this committee the statistical information and reports that were submitted to the Dominion-Provincial Conference last October. Here is a copy of the documents in four volumes. I have directed to have copies supplied to each member of the Steering Committee; the balance, some fifteen, are here, and Mr. Deutsch tells me he thinks he can get a few more. There are about forty members of the committee. The title of the volumes is: "Comparative Statistics of the Public Finance, Federal, Provincial and Municipal Governments of Canada. Vol. I, Revenue and Expenditure; Vol. II, Direct and Indirect Debt; Vol. III, Assets Offsetting Direct and Indirect Debt; Vol. IV, Public Investment."

Senator CRERAR: As the Chairman has said, this is the data that was supplied at the Federal-Provincial Conference last October. It will be recalled that last year we could not get the final figure for expenditures and revenues of all governments in Canada, because the officials were busy preparing this data for the Conference. Now it is here, up to 1955, and it is very interesting information. It is no good unless you are prepared to take it and do days and days of hard work on it, and master it. Otherwise, it is just a waste of time. I have just glanced at it this morning, and it is interesting to observe that the expenditures of all governments in Canada were about 600 million dollars more than their total revenues for the year.

The CHAIRMAN: Let us not get into a discussion on this. What is your wish? Mr. Deutsch feels he can cover enough to satisfy each member, and if he does that there will be no need for any discussion at this time. Honourable senators, you will recall that when we adjourned last Thursday Mr. Deutsch had submitted himself to general questioning from the committee. There were some questions he was asked then that he is prepared to answer now. I propose to ask him to proceed to give those answers and then the meeting will be open for a general discussion.

Mr. DEUTSCH: Mr. Chairman and honourable senators, I was asked at the last meeting to get certain additional information and in the past week I have tried to compile that information. I shall take them one by one. One question I was asked was this: what was the cost of the buildings and space provided to the Post Office? I think Senator Molson was interested in that question. I explained previously that the public buildings, particularly for the Post Office, were provided by the Department of Public Works, and that the cost of providing those buildings is not shown in the expenditures of the Post Office. Well, we have had a look at this and we find that the



Post Office Department had an estimate prepared for the year 1954-55. That is the latest we have information on but it will give you a good indication. It was estimated that the cost of the space provided by the Department of Public Works to the Post Office was about \$13 million a year.

Senator HORNER: \$13 million a year?

Mr. DEUTSCH: Yes. In other words, if the Post Office had to pay itself for the space it was using it would cost approximately \$13 million a year.

Senator EULER: Would that result in a surplus or a deficit?

Mr. DEUTSCH: To come to that result we have to make one or two other adjustments. We have to take into account that the Post Office renders free service under the franking privilege, from which it gets no revenue. The loss of revenue resulting from the free service under the franking privilege is about \$5 million. Thus you would have to take that into account. We can see what that comes to. In the same year of 1954-55 there was a surplus of about \$8 million in the Post Office; expenditures of \$123.5 million; revenue, \$131.3.

Senator CRERAR: That followed the increase in postage a few years ago?

Mr. DEUTSCH: Yes, I guess that includes it. We have in the accounts as shown in the blue books a surplus of approximately \$8 million. If we charge the cost of the rent to the \$13 million there will be a deficit of approximately \$5 million.

Senator GOLDING: Not if you take into account the Post Office franking privileges.

Mr. DEUTSCH: If you credit them for the franking privileges you come out about even.

Senator EULER: You have calculated the loss on the franking privilege. Have you also considered Post Office losses by way of free transportation and postage carrying facilities on newspapers and periodicals?

Mr. DEUTSCH: No, I haven't taken that into consideration.

Senator EULER: Would that not be fair?

Mr. DEUTSCH: Well, we have not gone into the question of the relative costs of the different kinds of mail it provides.

Senator EULER: We were told when the Post Office increase took place last year it was to make up for that special carrying rate for these special periodicals and newspapers.

Mr. DEUTSCH: We have not gone into this question of the relative costs of carrying different kinds of mail, such as newspapers against letters, and so forth. The Post Office require, of course, under the law and regulations, to make certain charges for letters, newspapers, and so forth, and they do so.

Senator SMITH: It is not free?

Mr. DEUTSCH: It is not free from charges. The question is whether the charges are adequate.

Senator BURCHILL: What about transportation charges? The Post Office is charged so much, what about the railways?

Mr. DEUTSCH: The same thing. They make contracts with the TCA and railways.

Senator BURCHILL: Are both those charges supposed to be adequate?

Mr. DEUTSCH: I understand they are, yes. I might say, senator, that if you want to get into the detailed operations of the Post Office it would be much more useful, I suggest, for the senators to speak to the Post Office authorities, rather than to me, because I am not an expert in the Post Office operations, and

it would be much better to get it from the horse's mouth, so to speak, than from me. I am not competent to judge or comment on their detailed operations.

Senator EULER: You knew what the franking privilege was costing.

Mr. DEUTSCH: Yes, well, it is my business in the Treasury Board to be concerned with the financial operations of the thing.

Senator WOODROW: Does the \$13 million include depreciation of buildings?

Mr. DEUTSCH: It is made up in this way: Space is rented from private lessors; in other words, some of the space the Post Office uses is rented space which the Public Works department rents and pays for. Now, the figure for the rental space, included in the \$13 million, is the actual cost of the rent; in other words, the cost of renting the buildings is included in this figure. That, of course, is the commercial rent, and the commercial rent presumably covers all costs, depreciation, interest, taxes, and everything else. Now, for the space occupied in a public building, that is not rented, but is one owned by the Government, the estimate is based on what the commercial rents would be, including heating, lighting, cleaning, and so on.

Senator WOODROW: Wages?

Mr. DEUTSCH: Yes. In other words, this \$13 million is supposed to be an economic rent, including the cost of all facilities that go with the building. This is an estimate, of course.

Senator STAMBAUGH: That is only the space occupied by the Post Office, not the whole building?

Mr. DEUTSCH: No, sir, just the space occupied by the Post Office, that is right.

Senator STAMBAUGH: Because the reason I ask that is this: I know Post Office buildings have, for instance, customs offices, R.C.M.P., and agricultural agencies, and so on, which occupy space in the Post Office buildings.

Mr. DEUTSCH: Yes, this figure is only for space occupied by the Post Office.

Senator BOUFFARD: Mr. Deutsch, is there any arrangement in existence between the government and the Post Office Department by which that department enjoys free transportation to the extent of certain subsidies extended to the railways? I understand that as the railways were being built up they received certain subsidies, and they have had to reimburse the government and pay interest of 3 per cent on those subsidies; and that instead of paying the government directly, the railways render free service to the government to the extent of the amount due for the subsidies. Does the Post Office share in that arrangement?

Mr. DEUTSCH: Senator, I am not in a position to answer that question at the moment. You see, I am not an expert on the running of the Post Office. I would suggest that if you require the details of their contracts with the transportation companies and the basis on which they make them, your purposes would be better served by getting the people here who actually make those contracts. I would have to give you the information second hand.

Senator BOUFFARD: We were told not long ago that the Canadian Pacific Railway gave free transportation to the government to the extent of \$100,000 a year on account of subsidies. I would like to know if this has any connection with the Post Office.

Mr. DEUTSCH: I am not sure that I understand you, Senator, but if you are referring to the privileges extended to Post Office officials, such as inspectors, supervisors and so on, in connection with their official duties, I understand they have certain free transportation privileges.

Senator BOUFFARD: No, what I have in mind is free transportation for mails.

Mr. DEUTSCH: I do not have information on that here.

Senator CRERAR: I think that applies to railway mail clerks who sort mail on railway cars.

Mr. DEUTSCH: They get free transportation, and I understand the inspectors in their official work get free transportation.

Senator BOUFFARD: That is not what I am referring to.

Mr. DEUTSCH: I do not have with me details as to Post Office contracts.

To summarize again what I have said, to take the more recent figures on the Post Office, the forecast for the coming year, 1956-57, shows a revenue of \$140.5 million, with expenditures of \$132 million. That will show a surplus as far as it appears in the Blue Books of approximately \$8 million, but it does not take into account the cost of rent for buildings which is around \$13 million, and the free franking privilege which reduces the Post Office revenue by about \$5 million. If you make adjustments for these things, it comes out about even.

A question was asked about the effect of the five-day week on the number of casuals. I believe that question came from Senator Isnor. I gave the other day an estimate of the number of permanent and full-time employees that were added as a result of the five-day week. Our information indicated that there were about 2,400, of which a little more than half were in the Post Office. We made a quick survey of the increase in casual employees. It is hard to separate these figures because the casuals that we employ have to do with a highly fluctuating amount of work and are engaged to take care of short-term peaks. It is hard to separate out the short-term peaks from the effect of the five-day week especially when the work of the department is changed in the course of the year.

For practically all departments, we are told, the increase in the number of casuals as a result of the five day week has been very small. The biggest increase in the number of casuals employed would be in the Post Office Department where the increase in the number of casuals is about the same as the increase in the number of permanents—about the same percentage increase.

Senator ISNOR: What percentage was that?

Mr. DEUTSCH: In the case of the Post Office the increase has been approximately 7 per cent in the full-time regular staff as a result of the five day week, and they feel about the same proportion increase in the number of casuals. As I said, this is the most significant change in the number of casuals employed. In the other departments the increase has been very small and it cannot be separated out. Take, for instance, the Unemployment Insurance Commission where there are quite a large number of casuals employed to take care of peak loads. Last year the act was changed, as you know. As a result, the nature of the work changed and we cannot say how many casuals have been employed due to the change in the act and how many are due to the five day week.

As a matter of interest, for the civilian departments as a whole, the estimates for this year show a slight reduction in the total number of casuals to be employed as compared with the previous year. Converting this into man hours equivalent the estimates provide this year for about 3,400 casuals in the Government services, in the civilian departments. Last year it provided for some 3,600. You will thus see that there has been a slight reduction over all, but that is due to other factors rather than to the five day week, I would think, because casuals are employed to take care of peak short-term loads,



and of course these peak periods depend somewhat on the nature of legislation, somewhat on changes in the work of the department and so on. It is really very difficult to compare the results from year to year but as a matter of interest the number of casuals provided for in this year's estimates show a slightly lower number than last year.

Senator CRERAR: Might I ask if any of the casuals who were employed last year have been transferred into the permanent class. Were any employees transferred from the casual category to the permanent category because of the nature of the work or other reasons?

Mr. DEUTSCH: That is right, Senator Crerar. That is another reason why the comparison does not mean too much. Sometimes when it is discovered that a position is one of a full-time nature it will then be converted to a full-time position. As I said, it is hard to separate these things out.

Senator GOLDING: That figure of 3,400 casuals that you mentioned a moment ago, would it include those who were taken on the permanent staff?

Mr. DEUTSCH: It might in some cases.

Senator GOLDING: Supposing that there was casual work to be done and then it was found out that the work was of a permanent nature, the casual employee would be transferred to the permanent category. Would that not reduce the number of casuals?

Mr. DEUTSCH: Some might be of that type. Sometimes we find that some of the casual positions concern duties of a continuing nature. In those cases we convert them into full-time positions.

Senator CRERAR: Is not the real test the total number of government servants, casual and otherwise, at the end of the one fiscal year as compared with the previous fiscal year?

Mr. DEUTSCH: Yes.

Senator CRERAR: That is the real test.

Mr. DEUTSCH: Yes. Is that satisfactory? I am sorry I cannot give any more precise information on this. It is a very difficult thing to spell out.

Senator ISNOR: Then I have to be satisfied with the answer. I do not say it in any unkind way, but I say that the answer is not particularly—

Mr. DEUTSCH: Enlightening.

Senator ISNOR: Enlightening. I am going to allow it to stand, as far as I am concerned, for the time being. I am going to make some inquiries outside so as to bring them, perhaps, back to this committee before it presents its report. I have in mind the change-over from Simpson's and Eaton's and other large organizations, from their former six days to five days, and the increase that was necessary in the permanent staff to bring about the results from the inauguration of the five-day system. I feel that it will be a little bit different story than was presented to us at this meeting; and again, I say I am not questioning the figures except that it does not seem to me to be reasonable that there are only 2,400 additional employees in the government, in view of the size of the staff employed.

Mr. DEUTSCH: You feel that this figure is too small?

Senator ISNOR: Altogether too small. That is, taking into consideration the amount of work that is necessary to be done in the year's operations.

Mr. DEUTSCH: All I can say, senator, is that any additions to the staff have to be approved by Treasury Board, and if any additions were required we would know about them, otherwise they could not be there; and I have told you that this is the total of the figures that we have approved for increases for the five-day week.



Senator ISNOR: Yes. But I always come back to this matter of productivity, and I think the honourable senators around this table are all experienced enough in business to know that you must have a certain amount of work done to give a certain result. I think that is what we have in mind when we are questioning the effects of this five-day week as compared to the six-day.

Senator REID: In so far as the Bureau of Statistics is concerned, I am thinking of people in my district who were hired to go out and ask questions of various people. That would not come before Treasury Board. Some one in the City of Vancouver just picked these people out; that is, they are casual labour. You would not have any record of that, would you? So there must be a lot of casual labour, as Senator Isnor has said, that has not been revealed.

Mr. DEUTSCH: It depends what question you are asking. I have not attempted to discuss all casual labour employed. I was asked how much of the increase was due to the five-day week, and I say it is extremely difficult to separate out, especially where the nature of the department's work changes. I said, for instance, that the U.I.C. employ a lot of casual labour. Last year the Act was changed and the nature of the work changed, and what is the effect of the change in the Act and what is the effect of other things is awfully difficult to separate out. With respect to the amount of casual labour that is employed overall, that is controlled by the Treasury Board in so far as the amount of money available for that purpose is controlled. Some casual labour is employed on a sort of contract basis for short periods, and in those cases the control is the amount of money available for the purpose. An example of what is happening in the case of casual labour hired on that kind of contract work: this year we are going to have a census right across the country; that will involve the employment of a great many people for short periods. That is a matter of policy which it has been decided we should do. In a year that you have a census you will be employing a lot of these people. Another year, when you do not have a census, you will not be employing them. So the changes from year to year have to be related to the policy that is involved. It is not simply a matter of taking the figure for one year and comparing it with next year and seeing the change that has taken place. We have to ask the question, what policy decisions have been taken? It is not sufficient to take two statistics and compare them, and say, "This has happened." If we have a census, for instance, we will have a lot of short-term employment. If we decide not to take a census, we won't have it.

Senator EULER: Is not a census a matter of law, not a matter of policy?

Mr. DEUTSCH: In this case the government was required to take a census in the three prairie provinces by law.

Senator EULER: By law.

Mr. DEUTSCH: And it was decided that, since they had to take a census in the three Prairie provinces, it might as well be extended across the country. That is how this arose. So we have always to look at policy decisions and the requirements of the law before we can usefully compare statistics of one year with the next.

Senator CRERAR: I think the important thing is the total number of employees the government has. A year ago Mr. Deutsch gave us information showing the total, broken down into categories, of the total number of employees the government had on February 28, and, if my memory serves me right, it was 183,000. That included revenue postmasters who are not paid directly but are paid indirectly by commissions, and which, of course, affect the revenue the country receives. Now, what I would like to see is the comparative figure for February 28, say, this year, and I do not think that is too difficult a figure to get.

Mr. DEUTSCH: No. We can get that for you.

Senator CRERAR: If we had that figure then we could get the total increase in the overall government service during the year we have come through; and I would suggest that Mr. Deutsch furnish the committee with that information. We have it for previous years, in the previous reports of the Finance Committee, and it is an easy matter to make a comparison and see how this thing has been moving. As a matter of fact it has been moving up like that. (Senator Crerar extended his arm to indicate an upward trend). The other thing is, what the total cost of the service is. I notice in this year's estimates, on the sheet at the back, that there is a very substantial increase in the amount for civil servants' salaries. That indicates one of two things: either that the five-day week has brought about an increase in the service with a corresponding increase in remuneration, or that there has been a substantial addition to the overall number of Civil Servants which accounts for the increase in the estimates. If Mr. Deutsch could supply that information I think it would be very useful for the committee.

Mr. DEUTSCH: With regard to the number of employees in the Government service there is published a monthly bulletin by the Dominion Bureau of Statistics which gives the total number of Government employees from month to month. I have one of these bulletins in my hand. The latest I have available is for November 1955. The publication is always a few months late because it takes time to get the figures together. It indicates the total number of employees in the Government Service. However I should point out that these figures do not include the revenue postmasters, who are not civil servants, strictly speaking. They operate on a commission. In other words, they are like small businessmen. They get commissions from the Post Office. They are not civil servants and we do not include them here. We could get the figures and add them in. The figure for November 1955, not including revenue postmasters, is 168,600. That compares with the previous November, 1954, of 166,800.

Senator BAIRD: That is your extra 2,400 coming in now?

Mr. DEUTSCH: That is partly the explanation for that increase.

Senator EULER: When did the 5-day week come in?

Mr. DEUTSCH: It has been coming in very gradually along the last five years.

Senator EULER: So it would be a fair comparison if you compared November of that year to November of the preceding year?

Mr. DEUTSCH: Yes. Some of it will be due to the 5-day week and some of it will be due to other things. The biggest increase would not be attributable to the 5-day week. That took place earlier. There is an increase there of roughly 1,800 employees. I would say that the great majority of that increase was not due to the 5-day week, which was introduced prior to 1954.

Senator REID: I think many of us have been wondering just what it would mean with respect to an increase in the number of employees if all departments moved from a 5½ day week to a 5-day week. It might well be that the Government service would show up far better than we think. For instance, I can visualize such things as customs houses doing the same work in five days as in five and a half. I think it would be worth our time to study this. The Government service itself might show up better than some of us think.

Mr. DEUTSCH: As I have said before, the attitude of the Treasury Board is this. They were prepared to approve increases for the 5-day week where it could be shown that the increase was necessary to provide 5½ or 6-day service.

Senator REID: That is the point.

Mr. DEUTSCH: Where it was not necessary to provide 5½ or 6-day service the Treasury Board was generally reluctant to allow any increase and as far as I know it generally refused increases on that ground. They said: "You must arrange your work so you can do it in 5 days where you formerly did it in 5½ days." Most departments that were not required to provide 5½ or 6-day service were not required as having a case for increasing the number of their employees on account of the 5-day week.

Senator EULER: That might be what accounts for what it seems like a small increase of 2,400?

Mr. DEUTSCH: One of the arguments that has been made for the 5-day week for both Government and industry is that the employees would accomplish just as much in the 5 days as in the 5½ days. As far as the Government was concerned we took that argument pretty much on its face value, and we did not accept proposals for an increase unless it could be shown that the increase was necessary to provide a 5½ or 6-day service; in other words, where people did have to come in on Saturday mornings because the public required certain service. When that was shown to be necessary the increases were granted.

Senator EULER: Did you in some cases perhaps cut down the service? Take, for example, the railways. They used to keep downtown ticket offices open on Saturdays in my town. Now those offices are entirely closed on Saturdays. You cannot get any service there at all.

Senator HAIG: The same thing is true in Ottawa here.

Senator EULER: Yes. That is because of the 5-day week. Has that happened perhaps in the Government service?

Mr. DEUTSCH: Perhaps it has. There may be certain offices that used to be open on Saturday mornings that are not open now.

Senator ASELTINE: You cannot get any information at all on Saturday mornings from any Government department.

Mr. DEUTSCH: The Government offices in Toronto, Ottawa and Montreal are closed on Saturdays, as are offices in private industries. On the other hand, there are certain kinds of services which have to be kept open, such as custom houses, immigration and some postal service. It is for those functions that extra staff has been provided to give a 5½ or 6-day service. In those cases additional staff just had to be brought in.

Senator BAIRD: Is there any case where employees are paid overtime if they come back on Saturday mornings?

Mr. DEUTSCH: There may be some cases, but generally speaking that is not the policy. There may be some cases where employees are paid overtime due to the difficulty in recruiting extra staff. However, if people have to work overtime consistently we say that there will have to be more staff. We do not expect to employ staff overtime on a constant basis.

Senator SMITH: I would like to get something clear in my mind with regard to this figure of 2,400. As I understand it this figure of 2,400 includes only permanent civil servants and not temporary civil servants or casuals. Are casuals in the same category or under the same definition as temporary employees in the Government service?

Mr. DEUTSCH: This business of "temporary" is no longer used. It is an old system which has been abolished. The 2,400 figure I gave you stands for the additional full-time employees that have been taken on. It does not include the estimate of additional casuals required. We made a survey and we were informed by the departments that the numbers of additional casuals who have had to be employed because of the 5-day week are relatively small. The biggest increase is in the Post Office where the increase in the number of



casuals has been about the same as the increase in the number of permanent employees. In the rest of the Government service we cannot see that the 5-day week has resulted in any large increase in casuals. I cannot even make an estimate there because, as I explained before, there have been so many changes in the work of departments that affect casual employment. It has been very difficult to separate what is due to a 5-day week or a 5½ day week.

Senator BARBOUR: It is not a large figure; it is only a small figure?

Mr. DEUTSCH: Yes, it is only a small figure. In the Post Office there appears to be about the same proportion of increase in casual as there was full time. I would also emphasize that the 2,400 was for civilian departments, and does not include National Defence, and as you know there are about 50,000 civilian employees employed in National Defence.

Senator SMITH: There is another point which was referred to earlier. I know Mr. Deutsch has said that he is not an expert on Post Office operation, but it has been my understanding that the only newspapers which are provided free service are weekly newspapers, and they are provided with free service within a radius of about forty miles—although I am not sure that is the correct mileage. Am I right in my understanding of that? I understand that newspapers in general get the wholesale rate on their newspapers, and there is not really any thought of giving daily newspapers any free service. I was wondering whether the impression of the public might be that the wealthy daily newspapers were getting free service, but I do not think that is so, is it?

Mr. DEUTSCH: It is not my impression. I was not aware there was free service given. It is a question whether the charge made is considered to be equal to the cost. That I do not want to comment on because I have not the information here.

Senator HAIG: I have grave doubts about that.

Mr. DEUTSCH: I am not an expert on that.

Senator HAIG: They went into it fully, and couldn't make it stick.

Senator EULER: You made a rather striking statement, Mr. Deutsch. You said that in the Department of National Defence there are 50,000 civilian employees.

Mr. DEUTSCH: Yes, roughly speaking.

Senator EULER: I think that is about the size of the entire army. Does that mean one civilian employee for every soldier we have?

Mr. DEUTSCH: The ceiling on the armed forces is about 125,000.

Senator EULER: But we have not that many?

Mr. DEUTSCH: Just about.

Senator EULER: Have we?

Mr. DEUTSCH: Yes; that is for the three services, not only the army.

Senator EULER: About two-and-a-half soldiers are required for one civilian employee?

Mr. DEUTSCH: That is about it.

Senator HAIG: That includes the Navy and the Air Force?

Mr. DEUTSCH: That includes the Navy and the Air Force—the three services.

Senator HAIG: How many in the Army?

Mr. DEUTSCH: Soldiers in the Army?

Senator HAIG: Yes.

Mr. DEUTSCH: About 48,000.

Senator HAIG: How many civilians are working for the Army?



Mr. DEUTSCH: I have the figure here—"National Defence, Army", is shown as 19,000.

Senator EULER: 20,000 civilian employees for about 50,000 soldiers?

Mr. DEUTSCH: That is right.

Senator EULER: About two-and-a-half soldiers required to one civilian employee?

Mr. DEUTSCH: That is right.

Senator BAIRD: That includes stenographers, and so on?

Mr. DEUTSCH: Yes, stenographers. The reason is, I think, for that many civilians, is that we have discovered or estimated that it is cheaper quite often to have the work done by civilians than to have it done by men in uniform.

Senator BEAUBIEN: In other words, you do not have to put them in uniform?

Mr. DEUTSCH: There is a lot of work in the armed forces, clerical, stenographic, maintenance, and that type of work, which we could have either done by a man in uniform or by a civilian. It does not have to be a soldier, and we find a civilian is much cheaper; that is why we have these civilians.

Senator HAIG: In other words, the civilian is easier to boss around than the soldier. Is that the real answer?

Mr. DEUTSCH: I don't know about that, senator. We know it is cheaper, anyway.

Senator HAIG: They will take orders, and the soldier won't.

Senator SMITH: Have you any information, Mr. Deutsch, as to our comparative position in this regard with the United States, say, and Great Britain?

Mr. DEUTSCH: Yes, but I think the policy will be pretty much the same. They also have the same problem of trying to get the work done at the least cost; and where we can get the work done by civilians the cost is less in money, and therefore we encourage the use of civilians.

Senator REID: Another thought is this, that to maintain three forces you have to have civilians, because if those civilians were in uniform in the army, for instance, you would have no army to speak of.

Mr. DEUTSCH: Depends how big it is, senator; but the thought is that the military personnel should be employed as much as possible on military tasks, and it is not necessary to have uniformed people doing clerical work, or doing stenographic work, or maintenance work, and things of that sort, when the civilian can do it just as well and cost less. That is why we have so many civilians.

Senator ISNOR: I think it is only fair to enlarge on that thought. Take the naval branch of the Department of National Defence, for instance. The work of the electricians, engineers, and so on, is all specialized, and you would not expect the Government, or the country, to train men to do that particular work, because there are a large number employed as civilian casual help. I have in mind particularly the two coasts, that is, the west coast and the east coast. The dockyards employ around 3,000 men. Well, that is out of proportion to the naval personnel, but they certainly require them. The same thing applies to the Army. They have the engineers, and the Signal Corps, and the linemen and electricians. That is all a specialized type of work. I am sure that no one around this table would think that the country should train men for 365 days a year for a particular work of that kind, because it is cheaper to have civilians do the work when required. In the same way, contracts are let out for repairs to a ship, and the employees of the shipyards

and the dockyards are engaged to carry on the work. I think that should be clearly understood to appreciate why there is such a large number of civilian employees engaged in connection with the three services.

Mr. DEUTSCH: You are quite right, senator. The Navy has about 10,000 civilians, many of whom are working in the dockyards in Halifax and Esquimalt. All the dockyard workers in Halifax and Esquimalt are civilians, and in this 10,000 figure are included these dockyard workers. As you say, it is cheaper to use them than to train men in uniform to do the work.

Senator EULER: I think that is very sound, but the proportion still seems large to me.

Mr. DEUTSCH: Well, that indicates, senator, that they have tried to get as much work done by civilians as possible.

Senator EULER: I agree with all that, but I say the proportion seems large.

Mr. DEUTSCH: I think I have given all the information that we can get, Senator Isnor.

Senator ISNOR: Thank you.

Mr. DEUTSCH: There was another question asked. Senator Isnor asked what was the total amount of the superannuation fund, and whether this amount is invested, and whether it could be invested to greater advantage from the point of view of the national interest. Now, the total amount of the superannuation fund, that is, for the Public Service, at the end of March 1955, which is the last fiscal year closed, was \$733.5 million. The latest figure I have is February 29, 1956, approximately \$795,100,000. This fund of course arises from the contribution made for superannuation purposes by civil servants on their salaries, in the case of men 6 per cent, and in the case of women 5 per cent; the government matches those contributions with an equal amount; that money accumulates in the fund, and has now reached \$795,100,000.

Senator EULER: How is it invested?

Mr. DEUTSCH: It is invested, Senator, in this sense that the government pays interest at the rate of 4 per cent per year on the fund.

Senator EULER: That adds to the size of the fund?

Mr. DEUTSCH: That adds to the size of the fund. The fund is not physically invested in securities. In other words, there is not a fund with securities in it. It is a liability on the books of the government, on the liability side of the balance sheet, and the government pays at a rate equivalent to 4 per cent a year on it. In that sense it is invested.

Senator CRERAR: And that is credited to the funds at a certain period.

Mr. DEUTSCH: Once a quarter.

Senator HAIG: Has it ever been examined by an actuary?

Mr. DEUTSCH: Yes, we had an actuarial examination of the fund, and a report was tabled in 1952. It showed at that time that the fund was short some \$364 million of the actuarial requirements.

Senator HAIG: That is what I understood.

Mr. DEUTSCH: And the government has been making up the deficiency in the actuarial requirement by appropriation. The deficiency is now \$189 million, which is shown as a deferred charge on the balance sheet, and we pay interest on it.

Senator EULER: The government has made it all up?

Mr. DEUTSCH: It has made it up to \$189 million.

Senator PRATT: When the contributions are paid into the government, into what account are they put?

Mr. DEUTSCH: They go into the Consolidated Revenue Fund.

Senator PRATT: A credit is set up, and interest is paid on that fund.

Mr. DEUTSCH: Yes. In other words, what the government has done is to borrow money and use it for its own purpose, and to set up a liability on the balance sheet equal to the amount of the fund.

Senator EULER: They do that instead of issuing bonds.

Mr. DEUTSCH: Instead of issuing bonds. They could have done it two ways: A physical fund could have been set up which contained government bonds, and those bonds would carry interest; or, they could simply put it on the liability side of the balance sheet and pay interest on that charge.

Senator PRATT: That would seem to be the simpler way.

Mr. DEUTSCH: The simpler way, yes.

Senator ISNOR: I asked the question, Mr. Chairman, in order to get the answer, on which I could base a suggestion. I understand the fund to be in the amount of \$795,100,000. Therefore, some \$400 million of it is the employees' money.

Mr. DEUTSCH: No; I don't think you can quite divide it in half. There is a shortage in the fund—and in saying so I do not suggest there are actually so many dollars missing, but that an actuarial calculation showed that to meet all liabilities in the future there should be another \$364 million which had not been put in by contributions.

Senator EULER: But the government has made up the whole shortage.

Mr. DEUTSCH: It has undertaken to make up the whole shortage, and already it has made it up to a point where there remains a balance of about \$189 million. But even on that sum, which is shown as a deferred charge on the balance sheet, interest is paid; therefore, we have in fact accepted the whole liability and we continue to pay interest on it.

Senator BARBOUR: That is, the interest is paid by the government.

Mr. DEUTSCH: Yes. But I do not think we can just divide the sum in half.

Senator ISNOR: That is immaterial to my suggestion. As I said, I asked the question in order to have the basis for a suggestion, on which, Mr. Deutsch, I should like to have your comment. With that amount of money available, just set up in a fund there on which the government is paying 4 per cent each year, would it be feasible to invest it so as to encourage national housing; in other words, to use the funds for the building of houses somewhat similar to the function of Central Mortgage and Housing Corporation? Have I made my self clear?

Mr. DEUTSCH: Yes. In other words, instead of simply showing it as a liability in the books, you ask us why we do not set up an actual fund?

Senator ISNOR: Yes.

Mr. DEUTSCH: And that fund could purchase mortgages or bonds?

Senator ISNOR: For that particular purpose. Because the employees are interested in this fund, it could be the basis of assistance in encouraging them to own their own homes.

Mr. DEUTSCH: I suppose, Senator, if the government wished to do that, it requires a policy decision to do it. The only point is, if you are thinking that such a change would provide more money for investment, I do not think that would be the result. If we did that, we would not necessarily have more money available for investment. What happens is that the government uses this money for its own purpose, and to follow out your suggestion we would have to take the money from somewhere else; in that way, we would not add anything to the investment capital. This is in fact a government fund, although we do not have any bonds in the fund.



Senator BURCHILL: You are paying more interest than if you had the money in bonds.

Mr. DEUTSCH: That is true; we do not pay 4 per cent interest on our bonds now. The question of whether we should take that money and invest it in housing is a matter of policy.

Senator WOODROW: Does it not go further than that? It extends to a matter of yield. You are getting 4 per cent on trust funds, and if you put that into housing it might carry a cost of 2 per cent or more for administration; I do not think you can do better than 4 per cent on trustee funds.

Mr. DEUTSCH: No, I do not think so; and if you invest in securities you would have management costs and so on.

Senator WOODROW: One further question: Are there any trustees appointed for this fund? After all, a good bulk of it is money invested on behalf of the employees.

Mr. DEUTSCH: No, the government does all that, Senator. The provisions with respect to this fund are spelled out in an act of Parliament; that is to say, the nature of the contributions, the benefits to be derived are all provided by statute, and the whole management of the fund is carried out by the government.

Senator WOODROW: The employees, then have no direct representation in the management of the fund, no trustee?

Mr. DEUTSCH: No.

Senator EULER: Let me ask another question in connection with the shortage.

Mr. DEUTSCH: Actually it is an actuarial deficiency.

Senator EULER: All right, but we will continue to call it a shortage, and the Government has made it up. My question is this: If adequate rates had been paid actuarially, and no such deficit—if you want to call it—arose, how much of that would have been paid by the employees? Can you tell us that?

Mr. DEUTSCH: About half of it.

Senator EULER: It would have been about how much in dollars?

Mr. DEUTSCH: We were short about \$364 million. But let me make an explanation on this. The implication is that if the rates had been adequate we would not have had this deficiency. I should explain that. The deficiency has mainly arisen due to the fact that with the passage of time and the rise in price levels and wages, the amount of annuity that is paid out at the end of an employee's service is much higher than was anticipated when the contributions were made at the beginning of his service. The superannuation paid out to the individual is based on the average salary of the highest ten years. For example, in the case of a man who has been in Government service for 35 or 40 years, the salary level in existence when he came in say 40 years ago was very much lower than it is today, and the contributions made by him in the early years were on the basis of a much lower level of salary; but when the benefits are paid out, they are based on a much higher level of salary.

Senator EULER: What is going to happen in the future if that same tendency continues?

Mr. DEUTSCH: We will have the same situation.

Senator BEAUBIEN: But civil servants are now contributing on the higher salary level.

Mr. DEUTSCH: Yes they are. There is one thing we have done as far as the future is concerned. Now, when we change salary levels in the public service we make a contribution to this fund to compensate for that factor. We did not do that in the past.



Senator GOLDING: After that actuarial examination was made you found that shortage. I understand that the Government has now made up all of the shortage or will make it up.

Mr. DEUTSCH: Half of it is made up now and the remainder will be paid in later on.

Senator GOLDING: Have the assessments on Civil Servants been increased?

Mr. DEUTSCH: Yes, from 5 per cent to 6 per cent. There has been some adjustment in the rates.

Senator GOLDING: On an actuarial basis, does that 6 per cent contribution from civil servants meet their 50 per cent of the cost?

Senator HAIG: Before you answer that, Mr. Deutsch, I will draw your attention to the fact that the longevity of the average annuitant is increasing. That element enters into the picture too.

Mr. DEUTSCH: Yes, that is another feature that has to be taken into consideration. The average length of life is rising, and that has an effect on this fund too.

The CHAIRMAN: So, in other words there is no such a thing as a sound actuarial basis—it is only a good guess?

Senator REID: Finance Bills in previous sessions over the past ten years showed contributions from the Government to the Superannuation Fund. At the time I wondered why this was required, but I never was able to get a satisfactory answer as to why these millions were contributed to build up that fund. Could you explain? This has always puzzled me: if the amounts that are being paid into this fund by civil servants are equal to or less than the payments out of the fund to annuitants why were these millions of dollars required to build up the fund. Of course I know that actuaries have it all figured out on paper, but the collections are meeting the payments in practice. I received some figures from the Department of Finance and they show that the amounts that are collected from civil servants are somewhat less than the amounts paid out by the Government at least they always balance.

Mr. DEUTSCH: The reason for these figures, Senator Reid is this: This figure that I have quoted, \$795 million, is the basis on which the interest on the fund is calculated. That is about the significance of it. The employee pays in to the fund his share, 6 per cent of his salary, and the Government matches that.

Senator WOODROW: Is there a maximum to the employees' payments?

Mr. DEUTSCH: No, it is 6 per cent.

Senator WOODROW: On his salary?

Mr. DEUTSCH: Yes. Answering Senator Reid's question. These two figures are added together and the Government pays interest on the total at the rate of 4 per cent. That is the significance of this figure, so that the interest can be calculated. There is no fund in the sense that you can say "here is a fund \$795 million"; it is a liability in the books.

Senator REID: Can you give the answer I asked for?

Mr. DEUTSCH: The reason we make these calculations is in order to arrive at the interest which we credit to this fund every year.

Senator REID: I still do not understand yet why millions are required when the payments out are equal to the collections.

Mr. DEUTSCH: As a matter of fact, Senator Reid, the collections are in excess of the payments.

Senator REID: Payments into the fund have always in past years run ahead of the outpayments. In 1954-55 for instance, the receipts in the fund

were nearly \$99 million—that is the Government's contribution, the employees' contributions and the interest. The outpayments were \$22 million in annuities and the difference between these two figures increases the liability. The Government actually collected a lot more money than it paid out, and this figure is the liability, and the interest is calculated on that. That is how it arises.

Senator BARBOUR: Have you last year's figures?

Senator BURCHILL: Senator Reid is questioning the actuarial report.

Senator REID: I am questioning the actuarial statement. Can you make it clear to me, if the receipts are greater than the payments out why are we called upon to pay into the fund \$89 million? Why does the Government have to bolster the fund at all?

Mr. DEUTSCH: I see what you are getting at. Well, that is a matter of when you want to discharge that liability. You could postpone discharging it. In other words, payment of the deficiency of \$364 million could be postponed, because you may not have to meet the liability for about 50 years.

Senator REID: It is a lot of hocus-pocus to me.

Mr. DEUTSCH: No it is not. It is a question of when you want to meet the liability. The figures are calculated by the actuaries as against the time when you want to pay out all the benefits that the civil servants are entitled to and so much money has to be paid out over the years in future. That is what it is based on; and they figure the amount you have to pay out is equivalent to that figure. They estimate the total amount you take in and the total amount you have to pay out, and they figure out that you need a certain sum of money to meet that liability. But that liability does not have to be met, say, for thirty or forty years, because the people will not be retiring until then. In the meantime, it is quite true, you do not need the money and you can decide "whether we should pay that now or whether we should pay it thirty or forty years from now". The government has decided, "Let us make the fund sound right now". A man who comes in down at the bottom, at a salary of \$2,500 or \$3,000, may be retiring at \$10,000.

Senator BOUFFARD: And there is a new liability assumed by the government.

Mr. DEUTSCH: The actuaries calculate how much the government has to pay to meet the benefits when the employees retire. That is what this sum is.

Senator BAIRD: It is a provision?

Mr. DEUTSCH: It is a provision to meet that liability, taking into account all the receipts, interest and everything else. That liability may not become due for thirty years, and in the meantime, as I have said, you will not need it, but the government has said, "Let us make it sound right now, not wait twenty or thirty years".

Senator REID: In the ten years I spoke of, did the government have to draw anything from the actuarial fund? When your receipts were greater in the ten years, nothing had to be drawn from the fund?

Mr. DEUTSCH: The excess goes to meet liabilities, in twenty or thirty years from now. You can say, "Let us forget twenty or thirty years from now", but any sound business man would not do that; he would say, "What are my liabilities? I will provide for them now, and when the time comes I can meet them." You can say, "Let us forget about future liabilities; we do not need the money right now," but twenty or thirty years from now it will have to be met.

Senator CRERAR: Suppose we wiped the slate clean today and started anew, is the present basis of 6 per cent from the employees, and 6 per cent from the government actuarially sound for the future?

Mr. DEUTSCH: And the 4 per cent interest.

Senator CRERAR: Suppose we were starting afresh.

Mr. DEUTSCH: Taking the present level of salaries?

Senator CRERAR: The present 6 per cent of contributions by the government and employee, and 4 per cent interest: is it actuarially sound?

Mr. CLARK: The last actuarial survey was made on the predecessor to the present act which came into force in 1954, and that survey showed that if you were starting from now, slightly over a total of 12 per cent would be required in the case of a man, and slightly under 10 in the case of a woman. Following on that recommendation, men are charged half of the 12, or six, and women half of the 10, or five; and if you had normal salary progression that would be adequate. But if you have any general salary increase, such as we had a year or so ago, then there is an additional liability set up which the six for men and the five for women will not cover, and under the present Act the government is required to make a special contribution at the time of any general salary increase, related to the additional liability.

Mr. DEUTSCH: In other words, the present scheme is actuarially sound if you start off from scratch, but it is not sound if you have a general salary change. The reason for that is, as I said before, that the benefits are paid out on the best ten years' average, where the contributions are made on a different salary basis; but the provisions of the present Act are that when you have a change in salary levels the government puts a lump sum contribution into the fund to take care of that. If it continues to do that, the thing should be sound.

Senator CRERAR: If salaries are increased, why should not the actuarial basis of contributions be changed?

Mr. DEUTSCH: It could, but that is a question of policy.

Senator GOLDING: As a matter of fact, the government has made up all the deficiency?

Mr. DEUTSCH: Yes.

Senator GOLDING: And according to this, that is what they will have to do in the future.

Mr. DEUTSCH: That is right. In other words, whenever there is a general salary revision, a deficiency will arise in the fund, and the present Act of Parliament provides that when such a thing is done the government shall make a lump sum contribution to the fund to make up the deficiency.

Senator BEAUBIEN: Under the Superannuation Act the employee and the government each pays 6 per cent?

Mr. DEUTSCH: Yes. That is, the man. And the woman pays 5 per cent.

Senator BEAUBIEN: And the excess the government will match, dollar for dollar?

Mr. DEUTSCH: That is right.

Senator BEAUBIEN: And if the fund becomes deficient on account of increases in salaries, then the men who get the increases in salaries pay 6 per cent of their increases?

Mr. DEUTSCH: Yes. Their contribution is on 6 per cent of the increased salary.

Senator ASELTINE: Why could you not have a sliding scale and do away with that?

Mr. DEUTSCH: You could if you wanted to.

Senator HAIG: It is not in the law.

Mr. DEUTSCH: It is a matter of policy. It is not in the present law.



Senator ASELTINE: You would have to amend the law accordingly?

Mr. DEUTSCH: Yes.

Senator REID: The 6 per cent does not cover it?

Mr. DEUTSCH: No.

Senator REID: It is something they get from the people of the country that they do not pay for. Let us be frank about it.

Mr. DEUTSCH: Even if the employee pays 6 per cent of his increased salary, it is only 6 per cent of his salary from that time; nevertheless, he gets benefits for which he did not pay the extra 6 per cent. That is where the deficiency arises.

Senator TURGEON: Am I right to assume that there is bound to be a deficiency which, under the law, must be paid by the government?

Mr. DEUTSCH: The way the law stands is that if the deficiency arises because of a general salary increase, the government is bound to make it up.

Senator BAIRD: In other words, the government is subsidizing the fund.

Senator CRERAR: That is not a question we can very well ask Mr. Deutsch.

Mr. DEUTSCH: I am just explaining what the position is.

The CHAIRMAN: Does that answer your question, Senator Isnor?

Senator ISNOR: Thanks very much. What amount was paid in last year by the employees?

Mr. DEUTSCH: By the employees, last year, there was paid in 32 million dollars.

Senator ISNOR: Then the Government has \$32 million belonging to the employees for last year alone?

Mr. DEUTSCH: The Government always matches one year in arrears.

Senator ISNOR: I am just dealing with the dollars paid in by the employees. I want to leave a thought with you and the Treasury Board. Coming back to the \$32 million paid in by the employees, notwithstanding what our ex-banker senator said about it costing 2 per cent to finance loans, I wish to point out it was necessary for the Government to recently raise the mortgage rate from  $5\frac{1}{4}$  to  $5\frac{1}{2}$  per cent. Now, I am going to suggest that the association representing the employees might consider investing their \$32 million in national housing ventures as it would give them  $1\frac{1}{2}$  per cent clear.

Mr. DEUTSCH: That is something, of course, which is a policy matter. This suggestion would have to be made to the Government and the employees concerned.

Senator ISNOR: They will read about it.

Mr. DEUTSCH: I do not wish to comment on that.

Senator SMITH: I think it might be valuable to compare what we are doing in the Government service with what the larger industries are doing. Is it not a fact that most industries have a scheme whereby the firm and the employee each contributes one-half towards a pension fund? Then the employees, at the end of their time of work, collect on the basis of what both have paid in.

Mr. DEUTSCH: Yes.

Senator SMITH: Is there any difference between what we are doing for Government employees and what the larger industries are doing for their employees?

Mr. DEUTSCH: Not in substance, no. I might say that these deficiencies in pension funds are not unique to the Government. I think almost every business



has the same difficulty for pretty well the same reasons. Salary levels and wage levels have gone up and the benefits are sometimes paid out on the basis of current salary levels although contributions were made on other levels. That is a problem faced by anybody running a pension fund.

Senator BARBOUR: And the span of life has increased?

Mr. DEUTSCH: Yes. You will find in the financial statements of many firms the entry "Special Contribution to Pension Fund". It is taken off income.

Senator EULER: Perhaps I am not in order but what we have been discussing reminds me of another point. I refer to the country annuity business that is being carried on through, I believe, the Department of Labour. I know that years ago the fund was found actuarially inadequate and the rates were very much increased. I would like to know whether from time to time an actuarial examination is made as to whether the rates are sufficient to enable the Government to carry on and whether at the present time they pay the cost of maintenance and make a profit. I would like to know just what the situation is.

Mr. DEUTSCH: Senator Crerar asked a question about the annuity scheme which is operated by the Labour Department. That department has a branch which operates an annuity scheme, and the public may buy annuities at certain rates and the branch will pay out annuities in the future at age 65. I also think Senator Crerar asked the amount paid to the annuity fund by the Government throughout the year in order to keep the fund solvent, and he also asked what the total amount of the fund is at the present time. On March 31, 1955, it was \$864,500,000. That was the size of the fund. The total contribution made by the Government to this fund to keep it sound is \$30 million.

Senator CRERAR: Over what period of years?

Mr. DEUTSCH: That goes back to 1938.

Senator CRERAR: Were there any payments before that time?

Mr. DEUTSCH: No.

Senator HAIG: The Government has made some since 1938.

Mr. DEUTSCH: Yes. The total paid is \$30 million. The reason the fund was short was that the mortality tables were out of date. I believe they used the mortality tables of 1908 right up to 1938, and of course the span of life in 1908 was something different to what it is today. They paid the annuities on the basis of the mortality tables at that time, and of course when the time came to pay out the annuities the people lived a lot longer than those tables provided for.

Senator BURCHILL: When was the scheme put into effect?

Mr. DEUTSCH: In 1908. In other words, they took the same table as they had at that date. They put the fund into effect and the annuities were purchased on the basis of the mortality tables of that time, and when the time came to pay the money out the people lived a lot longer than had been predicted in 1908. That increased the liability to the Government. In order to make that up over the years they have had to contribute some \$30 million. Every year we contribute to the fund the amount of the liabilities coming due in that year. In other words, when these old contracts mature from year to year we have to pay in an amount to make them actuarially sound. Last year we paid in \$371,000.

Senator EULER: I think it was laid down that the amount of an annuity could not exceed \$5,000. This amount has been decreased, but I am informed that a person who had the right to make a contract for \$5,000 could make

one for only \$2,000 but that he had the right at any time in the future—right up to now and in perpetuity if he lived that long—of getting the additional \$3,000 at the old rate. Is that the fact?

Mr. DEUTSCH: That is right.

Senator EULER: That would mean that periodically the Government would have to make an addition to that fund.

Mr. DEUTSCH: That is right.

Senator EULER: Are you carrying that big amount in the same way as you do the Civil Service Fund; that is, by merely giving credit on your books?

Mr. DEUTSCH: That is right. It is handled in the same way as the Superannuation Fund. It is a liability on the balance sheet and we use the money for Government purposes. Every year we put into the fund what is necessary to make actuarially sound the policies which mature in that year. Last year we put in \$371,000 for that purpose.

The CHAIRMAN: Is the situation now that it is actuarially sound?

Mr. DEUTSCH: Yes.

The CHAIRMAN: And the recurrent payments are due—

Mr. DEUTSCH: To the past period. We now have a periodical actuarial assessment made of this fund, and the last one we had made just recently the actuary reported that in his opinion it was actuarially sound.

Senator GERSHAW: What about administrative costs?

Mr. DEUTSCH: Administration costs are over and above that. As to the administration costs, the estimates for this year provide \$1,071,000 for administration, that is paid by the Government.

Senator CRERAR: That is not included in the contributions made by the Government?

Mr. DEUTSCH: No, that is an annual administration charge.

Senator MOLSON: Where is that shown?

Mr. DEUTSCH: It is a statutory item, sir, and it is done automatically. The act provides for this. You will find administration charges, though, in the Department of Labour estimates.

Now, the interest rate which Senator Haig asked about on annuities now purchased is  $3\frac{1}{2}$  per cent. That is not the whole story, because until 1948 the interest was 4 per cent. In 1948 it was reduced to 3 per cent. In 1952 it was raised to  $3\frac{1}{2}$  per cent. That is the history. Now, the fund, \$708 million is at 4 per cent.

Senator HAIG: Who makes up the loss? Does the Government pay the 4 per cent straight out?

Mr. DEUTSCH: Straight out, yes.

Senator BURCHILL: Can you give us any information as to whether there is an increase in the sale of annuities? As the years go on does the business increase?

Mr. DEUTSCH: In the last few years?

Senator BURCHILL: Yes.

Mr. DEUTSCH: The annual sale in 1954-55—that really represents money coming in—was \$68 million odd. Now, the contracts issued in that year 1954-55 were 6,242. Contracts in the previous year were 5,305. It was very high in 1948, then it dropped, and then it has been coming up again. In other words, the sales have increased in recent years. Now, the policy is to adjust the interest according to the interest which the Government is able to borrow at, and that changes from time to time.

Senator BAIRD: Do I understand that one can take out an annuity of \$1,200, with the option at a later date of increasing it to \$5,000?

Mr. DEUTSCH: No, not now; that used to be the case.

Senator EULER: Are the sales of Government annuities done on a commission basis?

Mr. DEUTSCH: Yes, people selling them—if you are approached by a salesman he gets a commission, and that is included in the administration cost—in that \$1,071,000, and the commission is \$330,000.

Senator HAIG: What was it in 1932?

Mr. DEUTSCH: Oh, I haven't got that here.

Senator HAIG: It was a lot more.

Mr. DEUTSCH: I haven't that far back here in my statistics.

Senator BEAUBIEN: How do the rates compare with annuities which are sold by insurance companies?

Mr. DEUTSCH: Well, I think I can give that information.

Senator BEAUBIEN: Is the rate lower for a Government annuity than for an annuity which the insurance companies offer?

Mr. DEUTSCH: I understand that there is one company that sells at generally comparable rates, but generally speaking other companies are somewhat higher.

Senator ISNOR: I would like to know that company.

Senator CRERAR: Well, it might be expected, because the Government pays the total cost of administration, and this year it amounted to \$1,071,000, Mr. Deutsch told us.

Senator MOLSON: And they spend \$110,000 in publicity to get that business, apparently.

Senator EULER: The reason companies do business in annuities is that almost everybody wants to have a larger annuity than \$1,200, and that is all they can get from the Government, whereas insurance companies can provide annuities at higher amounts, is that not so?

Senator CRERAR: Have you any explanation for this amount of \$95,000, Mr. Deutsch?

Mr. DEUTSCH: As to some of it, we employ actuaries to assess the fund, and so on; that is part of it. That completes that question, I think.

One or two other questions were asked. I believe someone asked the cost of Government publications under \$5,000. I have not been able to compile that yet because it is a very lengthy compilation, and we have to go through and count up all the items over the \$5,000 items we have already proved, and that is a pretty lengthy compilation.

The CHAIRMAN: You might try to get that later?

Mr. DEUTSCH: Yes.

Senator REID: There was a laxity of control, I believe.

Mr. DEUTSCH: We do control the total amount of money, and in addition to that we control the individual items over \$5,000, so it is not correct to say that there is no control, because we do fix the total amount they spend on publications, as well as individual items over \$5,000.

The CHAIRMAN: Senator Connolly is not here, but he asked how much is spent on duplicating equipment.

Mr. DEUTSCH: Yes, there was a question about the money spent by the department in the purchase of duplicating equipment. The calculation is that in 1954-55 they spent \$132,923; that is for the purchase of duplicating equipment used by individual departments.



The CHAIRMAN: I think that answers that question. It is obvious now that we will have to have Mr. Deutsch back to ask him additional questions; but if there is any point on which any senator would like information, he might ask the questions now and they could be answered at our next meeting.

Senator MOLSON: Could I ask a general question of Mr. Deutsch concerning purchasing by the government? Is there any method by which the price paid for similar articles in two very distant places, for example, are the same in each case? In other words, what control is there over that particular phase of purchasing? I do not think it is centralized.

Mr. DEUTSCH: Our general practice in purchasing is to ask for tenders and to take the lowest tender.

The CHAIRMAN: Does each department act on its own in that respect?

Mr. DEUTSCH: Except for furniture, stationery and supplies, and office machinery, each department purchases on its own. I should make a general exception with respect to the purchasing for the Defence Department, which is done by the Department of Defence Production.

Senator EULER: May I ask a question with respect to the Department of Public Works? When a new building, such as a post office is being put up and tenders are called, is the contract always given to the lowest bidder?

Mr. DEUTSCH: The requirement is that the contract must be given to the lowest tender, unless the Treasury Board approves otherwise.

Senator EULER: I was wondering whether a practice which existed some years ago still obtains: at one time when tenders were received from local and outside contractors, and the outside tenderer was lower, the contract was given to the local tender at the same price as quoted by the outside contractor. I wondered if that nefarious practice still was carried on. I know it has happened in the past.

Mr. DEUTSCH: Our general practice is to give the contract to the lowest tender, but sometimes exceptions are made for reasons which are considered adequate.

Senator EULER: There might even be political reasons.

Mr. DEUTSCH: I can't go into that. Sometimes the lowest tenderer states certain reservations or qualifications in his bid, which makes it inadvisable to give the contract to him.

Senator EULER: I am not referring to that.

Mr. DEUTSCH: Regulations provide that contracts must go to the lowest tender unless it is an exception granted for reasons.

Senator GOLDING: Municipalities award contracts on exactly the same basis. It often happens that contractors who tender are not in a position to carry out the work at the figure quoted.

Senator BARBOUR: Mr. Chairman, I can see around this board several directors of insurance companies. I was wondering if the government might not find it profitable to call for tenders on its annuities and insurance business, and sell that operation to the insurance companies.

Senator ASELTINE: I move we adjourn.

—The committee adjourned.















Canada, Finance, Standing Committee, on  
(Senate), 1956  
CA1YC 13-N14  
1956

THE SENATE OF CANADA



Government  
Publications

PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON  
**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957

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THURSDAY, MARCH 22, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956.

## STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

### The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly ( <i>Halifax</i>	Howden	Smith
<i>North</i> )	Isnor	Stambaugh
Connolly ( <i>Ottawa West</i> )	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

\*Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,  
*Clerk of the Senate.*

*Extract from the Minutes of the Proceedings of the Senate*

TUESDAY, March 20, 1956.

"With leave of the Senate,

The Honourable Senator Beaubien moved, seconded by the Honourable Senator Vaillancourt,—

That the name of the Honourable Senator Howden be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the said motion, it was—

Resolved in the affirmative, and—

Ordered accordingly."

J. F. MacNEILL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

THURSDAY, March 22, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators Hawkins, Chairman; Aseltine, Barbour, Beaubien, Burchill, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Euler, Golding, Haig, Horner, Howden, Isnor, Leonard, Pratt, Smith, Stambaugh, Turgeon and Woodrow—20.

*In attendance:* The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

Mr. J. J. Deutsch, Secretary to the Treasury Board, was further heard.

At 12.20 p.m. the Committee adjourned to the call of the Chairman.

Attest.

JOHN A. HINDS,  
*Assistant Chief Clerk of Committees.*



## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, March 22, 1956.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum so will you please come to order. Following the general meeting last Thursday we held a meeting of the Steering Committee, and I think I should make a brief statement this morning about that meeting. It was agreed to have Mr. Deutsch back this morning to answer some questions that were raised at the last meeting. I would point out that this morning's meeting will be the last until after the Easter recess. Last Thursday a question was asked about Government policy in connection with rented accommodation and it was felt that some witness should be called at a later date in this regard. There was also at the last meeting a discussion in connection with superannuation and annuities, and some questions were asked of Mr. Deutsch which were not proper for him to answer as they dealt with Government policy. The Steering Committee is suggesting that at a later date we call the Honourable Walter Harris and the Honourable Milton Gregg to answer questions in that respect.

At the last meeting there was available for distribution twenty-five copies of "Comparative Statistics of Public Finance" which come in four volumes. Mr. Deutsch has kindly got us additional copies and they are now available for distribution.

At the last meeting questions were asked in connection with all Government employment. Mr. Deutsch supplied some information from a November memorandum on "Federal Government Employment". We also have twenty-five copies of this document available for distribution.

Last week Senator Molson asked a question in connection with Government purchasing. Mr. Deutsch is now ready to give that information, and I would now call upon him.

Mr. J. J. DEUTSCH: Mr. Chairman and honourable senators, I believe Senator Molson was interested in the arrangements we have for the purchase of land and for the purchase of various equipment, materials and supplies by the different departments. I shall start with the arrangements for the purchase of land. The purchase of land, and buildings on the land, is governed by regulations issued under an order-in-council. The present regulations were passed in 1952 and provide that the Minister of a department may purchase land when the cost does not exceed \$15,000. If the cost should exceed that amount then Treasury Board authority is required. The purchase of land without Treasury Board authority—that is, when the cost is below \$15,000—has to be reported monthly to the Treasury Board. Further to this no payment can be made for the purchase of land unless a good title has been obtained through the Deputy Minister of Justice. When it is decided to purchase a particular parcel of land the Deputy Minister of Justice is informed and he



usually appoints an agent who looks after all the legal aspects of the purchase, such as the matter of title, and so forth. No payment can be made on that land until the Deputy Minister of Justice certifies that all the legal requirements have been met and that a good title has been obtained. I believe the formality is that the cheque in payment is actually handed over to the agent of the Deputy Minister of Justice just to make sure that no payments are made until all the legal formalities have been completed. That is very briefly the procedure.

As to the places where land is bought, or the departments that buy land, I will give you a brief summary of where these are. Land is purchased separately by the individual departments; there is no central land purchasing organization for the whole Government. The actual transaction is carried out by an individual department, under these regulations, of course, and in accordance with these regulations. The Department of Public Works has a land administration division and that division conducts all the transactions in connection with land purchases for the Department of Public Works. I believe they have about four people in this division at head office. The other department which does a considerable amount of land purchasing is the Department of Transport. They buy land in connection with development of airports and their marine canal activities, and they also do a great deal of work on behalf of the Department of National Defence. Generally speaking, purchases for airports for the Department of National Defence for the air force are carried out by the Department of Transport on behalf of the Department of National Defence, and so here there is an attempt, you see, to use the facilities of that department, which are there in any case, for civilian purposes, and the Department of National Defence uses those facilities in connection with the purchases it has to make particularly for airports. Land is also purchased by the Department of National Defence itself for general purposes, and they have a division charged with this responsibility of purchasing land. They have to buy land, of course, for other things besides airports—the development of military establishments, and so forth, and they have a section that does that, but generally speaking for airport purposes land is purchased by the Department of Transport. In some cases the Department of National Defence also use the Department of Public Works. They try as much as possible to use the facilities in the civilian department in these land operations—either the Department of Transport, and in some cases the Department of Public Works. In other cases where no civilian facilities are appropriate they have a section of their own to buy the remaining requirements. The Department of External Affairs has a property and land purchasing organization in connection with their requirements overseas. I told you the other day that except in London the management and acquisition of property abroad is carried out by the Department of External Affairs; they obtain properties for embassies, of course, and in some cases for living quarters for the ambassadors. In some cases we own those; in other cases we rent them; and the Department of External Affairs does its own work in this connection.

The Department of Trade and Commerce does a small amount of land purchasing abroad, but generally speaking its requirements at home are met by the Department of Public Works. As you know, Trade and Commerce have a Trade Commissioner Service, and in some cases the Department requires property for that service, but it is not very extensive.

The Department of Citizenship and Immigration have a certain amount of work in connection with the acquisition and sale of land, particularly on behalf of the Indians. They have a division which deals with that matter.

The requirements for the Department of Agriculture are met by the Department of Public Works, but not including the Prairie Farm Rehabilitation Administration; the P.F.R.A. branch carries out its own land transactions.

The Royal Canadian Mounted Police conduct their own transactions for the acquisition of land their various divisions across the country. As you know they have divisions located in various provinces, and for their divisional establishments they have to acquire land and buildings. The construction of new buildings for the R.C.M.P. is largely carried out by the Department of Public Works, but the R.C.M.P. have their own buildings division.

I think I have pretty well covered the principal departments that are engaged in the acquisition of land.

Senator EULER: Would you touch on the Department of National Revenue, for instance, in their purchase of land for the construction of a Customs House?

The CHAIRMAN: Senator Euler, perhaps we should let the witness finish his statement.

Senator EULER: I understood he was finished.

Mr. DEUTSCH: I am pretty well finished with my statement in a general way. The Department of National Revenue has the work done for them by the Department of Public Works, with some exceptions.

Senator EULER: I do not wish to transgress the Chairman's ruling, but I am curious about a transaction in my own city.

Mr. DEUTSCH: The requirements for the Department of National Revenue are as a rule provided by the Department of Public Works, who acquire land and construct buildings, with some exceptions. The exceptions relate particularly outlying points where a house has to be built for a Customs collector or some such person, and the Department of Public Works do not have the facilities in the area for carrying out the operations. In such cases the Department of National Revenue could make their own arrangements for the land and building.

Senator EULER: I have particular reference to a transaction in my own city of Kitchener, and perhaps this may be one of the exceptions. I understand that you have purchased land there for the building of an Income Tax office. Is that done by the Department of Public Works?

Mr. DEUTSCH: I would think so.

Senator EULER: Supposing they decided to build a post office on the land, who would do that?

Mr. DEUTSCH: That would be done by the Department of Public Works.

Senator EULER: Or if the Department of National Revenue wanted to build a little Customs house on the border, would that be done by the Department of Public Works?

Mr. DEUTSCH: Generally speaking, yes. There may be an exception, for instance in the case of a particularly outlying area where the Department of Public Works has not facilities. In that case it may call on the Department of National Revenue to make the arrangements, but that is an exception to the rule. The general rule is that the Department of Public Works provides the requirements for the Department of National Revenue. The same for the Post Office Department, for the Department of Agriculture except P.F.R.A., the same for Trade and Commerce except in the case of Trade Commissioners abroad.

The CHAIRMAN: The meeting is open for questions.

Senator HOWDEN: Mr. Deutsch, you said a little while ago that the departments were each able to make \$15,000 expenditures for land wherever it was deemed necessary. I am wondering how often a department will be permitted to make a \$15,000 expenditure over a certain period of time.

Mr. DEUTSCH: Well, the general control, Senator, is that they may not use money to buy land with unless it has been approved in the Estimates. In

other words, the total amount of money that may be spent in a fiscal year for the purchase of land has to be voted in the Estimates. So there you have a general control over how much they can spend. Given that overall figure, a department may purchase land up to that amount. But a department cannot without authority from the Treasury Board, buy land costing in excess of \$15,000 for any one parcel. If they go above \$15,000 for any one parcel they have to get the approval of Treasury Board for that particular transaction.

Senator HOWDEN: I gathered that, but I am wondering how often they would be permitted to spend \$15,000 for land.

Mr. DEUTSCH: That is controlled by the total amount of money they are allotted. They cannot exceed what has been allocated to them in the Estimates for that purpose. When the Estimates are under preparation the department officials are examined and asked to explain the purposes for which it wants to spend money, and the Board will then decide how much it will recommend. Furthermore, for purchases under \$15,000 they have to make a monthly report to Treasury Board. In effect, the Board sees all transactions. If, for instance, in the monthly report of transactions under \$15,000 anything is noticed requiring comment, the Treasury Board will immediately draw it to the attention of the Department.

Senator BURCHILL: What about the Department of National Defence? That department must do a lot of land purchasing for camps and other military purposes. I have in mind the extensive military camp at Gagetown, New Brunswick. How was that transaction handled?

Mr. DEUTSCH: The Gagetown matter was handled by the Department of National Defence.

Senator BURCHILL: With the approval of Treasury Board?

Mr. DEUTSCH: Yes. All these regulations apply to that Department too.

Senator BURCHILL: Do you happen to know the machinery that was set up to make these purchases, how they went about it?

Mr. DEUTSCH: Well, as I have indicated, they have a real estate branch in the Department of National Defence, and they have got an agent called a Real Estate Adviser, and they use that branch and the people in it to carry out these transactions. But these transactions have, as in any other department, to be carried out under these regulations. In other words, every purchase over \$15,000 has to be approved specifically by the Treasury Board.

Senator CRERAR: The Department of Defence Production has nothing to do with that?

Mr. DEUTSCH: No. The Department of Defence Production carries out the construction. It lets the contracts for construction. But the actual acquisition of land is carried out either by the Department of National Defence or by the Department of Transport, or, in some cases, by the Department of Public Works. Generally speaking, the Department of Transport looks after air requirements—airports and so on, for the Air Force, and the requirements for the Army are carried out directly by the Department of National Defence.

Senator CRERAR: Well, if the Defence Department wants a series of buildings, say, residences at some certain place, they make that requisition on Defence Production; and Defence Production—

Mr. DEUTSCH: Yes. Suppose it is barrack blocks; the requisition is then on the Department of Defence Production. The Department of Defence Production, as you know, have a Crown company, called Defence Construction Limited, and that Crown company lets the contract and supervises the construction.



Senator SMITH: Mr. Deutsch, in relation to the amount of purchasing that is done in excess of the \$15,000, how much is done by the various departments outside of the purchases that are referred to the Department of Public Works? Does it amount to very much in a fiscal year?

Mr. DEUTSCH: Yes. I should say, answering that question, Senator, that there are three big land purchasing departments,—the Department of Public Works, the Department of Transport, and the Department of Defence. Those are the three big ones; the others are relatively small. I have got some statistics here which will give you some idea of the relative size of these things. The Department of Public Works, in 1955-56, the fiscal year just closing, purchased about six and a half million dollars worth of land; when I say "land", the land often has buildings on it, so this cannot be taken as purely land; it is land and buildings that are purchased. The Department of Transport, in the same fiscal year, purchased land for airports, for transmitter sites, radio sites, etc.,—all the sort of things the Department of Transport is interested in, but mainly airports,—to the amount of \$8.6 millions; and the Department of National Defence,—these are lands for military camps and things of that sort,—spent about \$3.2 millions. The other departments that I have got here are all under a million. They are relatively small in comparison with the three big land purchasing departments,—Public Works, Transport and National Defence.

Senator SMITH: Have you any information as to whether there is much construction of buildings done by army personnel themselves without calling on Defence Production or Public Works or any other agency of Government? Do they undertake much building of armouries themselves?

Mr. DEUTSCH: Oh, no. There would be relatively little.

Senator SMITH: When they do it why do they do it?

Mr. DEUTSCH: When they do it it would only be done because at that particular spot it may be more efficient and less costly. They are on the spot and it may be difficult for outsiders to come in. Generally speaking, however, there is little construction done by the army itself.

Senator SMITH: I am conscious of this because in my own town the army sent a bunch of their men in there to supervise the building and then hired local labour, and so on, to do the work. I was just wondering if this was a general practice, for there has been some question as to whether this is efficient.

Mr. DEUTSCH: There is not very much of that done. The total would be relatively small. There may be specific situations in a particular place. They may decide it is more efficient to do it themselves but, generally speaking, we require them to go to contractors.

Senator SMITH: Is there any way in which the Treasury Board could check up on things of this nature and ascertain why the army is doing a particular building job itself? Personally I can see no reason for them doing an armoury building that way.

Mr. DEUTSCH: It is an armoury building?

Senator SMITH: Well, a garage for an armoury, and repairs, alterations and decorations. What I have in mind was done in Liverpool, Nova Scotia, and it was felt by many local citizens that the work might have been better done in the way which I understood is the usual way of doing this sort of thing.

Mr. DEUTSCH: Generally speaking, much of the day-to-day maintenance and repairs is done by the forces with their own facilities, of course it is always nice question where maintenance starts and a new project begins. This might have been classified as maintenance.



Senator SMITH: I do not see how it could have been. It was a new construction of a garage for army vehicles. It was constructed with concrete blocks or something of that nature. It was a permanent fire resistant structure.

Mr. DEUTSCH: We would be glad to look into a thing of that kind.

Senator SMITH: I am not too concerned with that particular case but I was wondering if it was the general practice.

Mr. DEUTSCH: It is not the general practice.

Senator SMITH: Why would they make an exception?

Mr. DEUTSCH: In their own opinion they may decide it is wise to make such an exception. However, their activity should be confined to maintenance, and so on. As I said before, there is always the question of defining where maintenance stops and new construction begins. Generally speaking, all new construction is carried out by contract.

Senator SMITH: We know that large stocks of material are kept by the army in their various headquarters. For instance, the army might be doing some work in, say, Liverpool, and trucks will go into Halifax for material for the job. I know that some people feel that these materials should be bought locally, not too favour local citizens and business but that it would be cheaper to do so. I was given an answer to this but I was not satisfied with it. I just mention it because I think the Treasury Board should take a look at this type of practice and see if it cannot be improved.

Mr. DEUTSCH: We are always glad to look into these matters. Of course, they are better able to answer you than I am, for I do not run that part of the business. The Treasury Board is interested in that because these things should not be done in a way that is more costly than necessary.

Senator HAROLD CONNOLLY: Doesn't the Department of Public Works have representatives in each province in Canada?

Mr. DEUTSCH: I think so.

Senator HAROLD CONNOLLY: Then how could it be possible for any other departmental official to have a greater knowledge or better facilities available for doing jobs in a province than the officials of the Department of Public Works?

Mr. DEUTSCH: That is relative, sir. Generally speaking you are quite right. An effort should be made to use existing facilities and not duplicate them. However, there are some circumstances in which the local knowledge and facilities may be better than in some departments. I am thinking particularly of the Mounted Police. They have small detachments in out-of-the-way places, particularly in provinces where they do the provincial police work. Take Newfoundland, for example. The officials of the Department of Public Works would be centred in St. John's. The R.C.M.P. may need a detachment building in a small community. You would have to send the departmental official to the community whereas the R.C.M.P. know the place already and it would be more economic for them to go ahead with the construction.

Senator HAROLD CONNOLLY: I think we go far wide of the point if we take Newfoundland as an example for it presents an extraordinary case. It should not be confused with the ordinary case in the other provinces. Furthermore, I suggest to the witness, Mr. Chairman, that the officials of the Department of Public Works in any province, including possibly Newfoundland, have just as great a facility to determine the merits of a case in any locality as have the R.C.M.P. I am wondering further why the Department of Public Works, which is a highly responsible department of this Government, ought not to engage in all acquisitions of lands and properties? It strikes me it would be a

much more efficient method of dealing with the whole question. I wonder if the witness would care to comment on that?

Mr. DEUTSCH: I think it is a perfectly good argument to make, sir, that consideration should be given to centralizing this thing to a greater extent. It is a matter of policy. It is something that can very well be considered. There are pros and cons to a thing like this.

The CHAIRMAN: Mr. Deutsch, I agree with you that it is a matter of policy but this committee at one time made a recommendation to the Government that building activities should be concentrated more in the Department of Public Works. You have given us evidence that there has been a good deal of that done in the intervening years since our recommendation was made. I think it would partly answer Senator Connolly's question if you could give us some idea of how much the efficiency of administration has been increased due to that recommendation.

Mr. DEUTSCH: Centralizing these activities is a perfectly good matter to consider; that is, whether there ought not to be more centralization. The policy already stated by the Government is that they are attempting to put more and more of this work of public buildings and acquisition of public buildings, and so on, in the hands of the Department of Public Works. That is the official policy, and progressively the Department of Public Works is taking over these functions from the other departments.

Senator HAROLD CONNOLLY: What determines the progressiveness?

Mr. DEUTSCH: The speed with which it is done depends very largely on the Department of Public Works' capacity to handle it. Our difficulty is in obtaining staff, particularly engineers and architects. There is no use shoving some of these things on to the department if it can't perform them. We have been moving them over as quickly as the department has been able to handle them.

Senator HAROLD CONNOLLY: Does the R.C.M.P. have architects and engineers?

Mr. DEUTSCH: They have engineers.

Senator HAROLD CONNOLLY: How many?

Mr. DEUTSCH: I do not have the figures here, but I can obtain them. Our effort has been to move these things to the Department of Public Works, and as we do so to move the staffs along with them. As I told you the other day, to some extent, there have been a number of such movements.

Senator EULER: Who decides which department shall undertake the work, the R.C.M.P. or the Department of Public Works?

Mr. DEUTSCH: It is decided by the Treasury Board or by the Cabinet. I may say quite frankly that the Treasury Board in every case is endeavouring to have things moved over to the Department of Public Works. They think this matter of centralizing pays. As I said before, this is a project that can well be given some consideration. There are arguments pro and con; on the pro side, one can eliminate a good deal of duplication and the spreading around of staffs, if the operation is centralized, resulting in more efficiency and economy. On the other hand, people always raise the question that they know their own needs better than any centralized body, and in order to get things done it means convincing someone who is not intimately acquainted with the needs of that department. It is thought by some people that this results in additional delays and red tape. It is a matter of assessing which is the preferable course to take; but, generally speaking, the bias is strongly in favour of centralization; that is the trend and we are trying to follow it.

Senator ISNOR: Mr. Chairman, the witness gave the total figures for the purchase of lands by three departments, namely, Transport, Public Works and

National Defence. I wonder if he would be good enough to file the figures for the other departments before the report of today's proceeding is printed, so that we may have them before us?

Mr. DEUTSCH: I can give you those now, Senator; at least, I shall give the ones I have.

Senator ISNOR: Or you may table them if you wish.

Mr. DEUTSCH: External Affairs, for embassies and residences abroad in 1955-56, \$860,000; Trade and Commerce for staff residences abroad, Trade Commissioners Service, \$35,000; the R.C.M.P. sites for officers' quarters, detachments, etc. \$56,657; the Department of Northern Affairs and Natural Resources for administration of national parks, historic sites, etc. \$5,700; the Department of Agriculture for irrigation, rehabilitation, purchasing, community pasture, etc., under P.F.R.A., \$286,518.

Those are the civilian departments other than the three which I mentioned previously, covering the purchase of land in the year 1955-56.

Senator ISNOR: Those are the cases in which the departments have made their own purchases?

Mr. DEUTSCH: That is right.

Senator ISNOR: I should like to follow along the same line of questioning as did Senator Connolly (Halifax North), and to ask you what you mean by the word "centralization"? Do you mean centralization provincially or federally?

Mr. DEUTSCH: I am only talking about the Federal Government.

Senator ISNOR: But do you think the operations of the Department of Public Works should be centralized in the provinces or at Ottawa?

Mr. DEUTSCH: You mean, sir, as far as the branches of the Department of Public Works go?

Senator ISNOR: Yes.

Mr. DEUTSCH: When I talked about centralization, I meant centralization in the Department of Public Works itself. That department has a decentralized administration; it has offices in all of the provinces. I do not mean to suggest that centralizing means that everything should be taken to Ottawa. Obviously, as much work as possible should be done in each region by the people there, because if it were all brought to Ottawa it would result in needless red tape and delay.

Senator CRERAR: Mr. Chairman, I was about to make the observation that the rule of common sense must be applied. For instance, the Royal Canadian Mounted Police have a corporal or sergeant stationed at a place called Old Crow, which is an Indian reservation on Porcupine River, 150 miles west of Aklavik, where he has a residence. Surely, it would be a needless expense to send someone from the Department of Public Works up there to select a site and to determine what kind of a building should be put up. Also, there is a proposal to move the old hamlet of Aklavik from its present site some eight or ten miles distant, involving an expense of several million dollars. Having been at Aklavik, I am bound to say that I cannot see the justification for it, although there may be some good reason for the change. In that case the Department of Public Works sends the deputy engineer up to supervise that operation, and to decide what should be done.

As I say, Mr. Chairman, I think in these cases the rule of common sense should apply. Generally speaking, the principle is to have the work done under the Department of Public Works, but obviously there are cases when the procedure would be foolish.



Mr. DEUTSCH: That is the point I was trying to make. There are some instances where it would not be economic to send a man from a great distance to some place to make a small purchase, and the cost of taking him up there and bringing him back would be more than the whole thing costs. It just doesn't make sense. There are some instances of that kind where one has to apply good sense, but generally speaking the bias is in favour of centralizing where that seems to be a sensible and economical thing to do.

Senator HORNER: If I may ask Mr. Deutsch a question, I would like to know something of the method adopted in the procedure, from the other side of the picture, in the purchase of land and buildings. I am thinking of places where land has been purchased where there were various parcels of equal suitability, and I wonder if it is always left entirely to the central body in cases, such as I have known, to the President of the Liberal Association.

The CHAIRMAN: I am afraid, Senator Horner, you cannot get an answer to that question, Senator Pratt has a question to ask.

Senator PRATT: I would like to express an opinion with regard to this centralization matter. I think it would be regrettable if it went out from this committee that it had a strong and, I might say, a definite feeling of policy that favoured centralization. Senator Crerar's illustration about the far away sections is very applicable, but I think in areas that are not so isolated there is just as much danger of waste and inefficiency with over-centralization as having it underdone, and I think there is a great deal to be said for a certain measure of breakdown in authority, provided there is supervision and control, where it is necessary to meet the circumstances. But as far as I am concerned, I would not like it to go out from this committee as a definite statement of policy that we were favouring centralization, notwithstanding the special service centres.

The CHAIRMAN: Senator Connolly?

Senator J. J. CONNOLLY: Mr. Chairman, there are a couple of things I want to ask the witness going to the question of authority about this business of land and building acquisition. The first thing is this: The authority that is given by Parliament when estimates are passed is simply a general authority to expend the amount of money provided in the estimates. Then as the money is spent are all these parcels of land acquired in the name of the Crown of Canada?

Mr. DEUTSCH: No money may be paid, as I have explained, for the purchase of a piece of land without the authority of the Deputy Minister of Justice regarding the legal title and all the legal formalities, and that is taken in the name of the Crown, and no cheque is issued until that title has been cleared. That is why that provision is in the regulations, that no money may be paid unless the Deputy Minister is satisfied that all the formalities regarding title and legal processes have been made.

Senator J. J. CONNOLLY: Now, Mr. Chairman, I think this committee is particularly concerned about statutory authority to buy land, as well as the way it is exercised, but I suppose it is fair to say, in the first place, that departments like the Department of Public Works and the Department of Transport, and the Department of Defence Production, have statutory authority to acquire land in their constituting statute. Is that so?

Mr. DEUTSCH: That is so.

Senator J. J. CONNOLLY: What about Defence, have they?

Mr. DEUTSCH: I am just trying to recall. There is authority in the Public Works Act, and in the Transport Act, and in the Defence Production Act. I am not at the moment familiar with the National Defence Act, but my inclination is that it is there.



Senator J. J. CONNOLLY: But in the absence of that authority?

Mr. DEUTSCH: In the absence of it—I am a little hesitant. The arrangement between Defence and Defence Production generally speaking is that Defence Production is required under its Act to do all the purchasing for the Department of National Defence. Now, with regard to the authority of the Minister of Defence Production to delegate that power to other departments, I am not sufficiently familiar with that at the moment to clarify it.

Senator J. J. CONNOLLY: Well, we will leave that at the moment. Now, the Prairie Farm Rehabilitation Act I suppose contains specific authority for that organization to acquire land, too?

Mr. DEUTSCH: That is my recollection, yes.

Senator J. J. CONNOLLY: In other words, it is not overstepping the powers that are given to the Minister of Public Works in the Public Works Act?

Mr. DEUTSCH: No.

Senator J. J. CONNOLLY: What about these other departments, External Affairs, Trade and Commerce, R.C.M.P., and Northern Affairs? Have they authority to acquire land?

Mr. DEUTSCH: Well, the authority can be obtained in two ways, senator. One is by specific statute, or by an item in the estimates.

Senator J. J. CONNOLLY: Well, do the estimates give them the power to acquire the land?

Mr. DEUTSCH: Yes, if so worded.

Senator J. J. CONNOLLY: Doesn't that just give them power to spend money?

Mr. DEUTSCH: That depends; an item in the estimates can have the same force as an Act of Parliament.

Senator J. J. CONNOLLY: Well, it is an Act of Parliament.

Mr. DEUTSCH: It is an Act of Parliament.

Senator J. J. CONNOLLY: But does it give it authority to acquire land?

Mr. DEUTSCH: Yes, if so worded.

Senator J. J. CONNOLLY: The reason I am emphasizing this, Mr. Chairman, is that this committee a few years ago saw fit to make a recommendation, and I think wisely, that as much as possible Public Works exercise its statutory authority as the purchasers of lands, and I wonder if some of these other departments are overstepping that authority when they exercise it.

Mr. DEUTSCH: No; if they were overstepping it, Senator Connolly, the Comptroller of the Treasury would not issue any cheques.

Senator J. J. CONNOLLY: So that the authority is there through the estimate item?

Mr. DEUTSCH: Yes, and also the Minister of Public Works may delegate the authority to a department if he wishes, in a particular instance. The question of the deeds and title, and so on is centralized in the Deputy Minister of Justice for all departments. There is a regulation of the Governor in Council that applies to all departments which states that when land is acquired there may not be any payment made until the Deputy Minister of Justice states that the title and legal formalities have been complied with; so that applies to all departments.

Senator J. J. CONNOLLY: If I may put it another way, to clarify the point: The authority given in the Public Works Act to acquire land on behalf of all departments of Government has been pretty well watered down?

Mr. DEUTSCH: No. I think the exceptions are not very extensive, senator. The main purchasers by far are the three departments, namely, the Department

of Transport, the Department of Public Works, and the Department of National Defence. These purchasers in many cases go into many millions, whereas the other departments run into only \$50,000 or \$60,000 a year.

Senator J. J. CONNOLLY: There is a considerable watering down, however, when the Department of Transport spent \$8.5 million.

Mr. DEUTSCH: Well, Transport has authority in its Act.

Senator J. J. CONNOLLY: That is right.

Mr. DEUTSCH: It has authority in its Act to purchase land for transport requirements; the Minister is given that power.

Senator J. J. CONNOLLY: That reduces the amount of power of the Public Works Department, does it not?

Mr. DEUTSCH: It says in the Transport Act that notwithstanding any other act the Minister of Transport may do such and such. The authority for the departments, outside of Public Works, to purchase land, is either in their acts, or it is an item in the estimates.

Senator J. J. CONNOLLY: Thank you very much.

Senator LEONARD: I have noticed a growing trend on the part of departments to lease instead of to buy or build, and they will give a commitment for a certain amount of space and for rental, and the basis of that the property will be acquired or built by private persons. I would like to know, first of all, if there is that increasing trend, and, secondly, if there is some control in the Treasury Board as to the undertaking with respect to leasing, somewhat similar to the \$15,000 control on buying?

Mr. DEUTSCH: Yes this method of doing things that you are referring to is being applied in the cases of small post offices. I do not know at the moment of any other.

Senator LEONARD: Yes, and to Unemployment Insurance Commission offices, Customs offices, National Revenue offices.

Mr. DEUTSCH: No. I am not familiar with the application of that. Sometimes a man will build a building and the Department of Public Works, for instance, for the Department of National Revenue, might make a lease for five years. That takes place. I do not know of many cases where the building is solely for that department. Of course if a man is given a lease for a building, equipped with that lease may help him in arranging the construction of the building. I was thinking of an entire building put up on that basis. In other words the Department of Public Works will give a lease for ten years, let us say, and the man will then undertake to build a building solely for that purpose. That is done in the case of small post offices. The alternative there is for the Department itself to buy land and build a building, or to buy a building or to make an arrangement for a ten-year lease and then the lessor builds the building having that lease. I say that type of thing is being done in connection with small post offices, and that is about the only cases that I know of.

Senator LEONARD: Is there control over that by Treasury Board?

Mr. DEUTSCH: Yes, all that kind of case has to have Treasury Board approval.

Senator GOLDING: Under post office regulations for many years the government would not build a post office in a place unless the post office had a revenue of at least \$10,000 a year. In cases where the revenue was less than \$10,000 a year post offices were rented in different buildings. Is that practice still continuing?

Mr. DEUTSCH: Yes, in many cases space only is rented. I forget the dividing line, but the revenue the Postmaster receives governs the situation. It is up to a certain level, \$3,000, I think it is.

Senator HAIG: Are you sure that this policy of renting is only applied to post offices?

Mr. DEUTSCH: No, I did not say that.

Senator HAIG: Let me refresh your memory. I live in a small town in Manitoba. A man built a building there six storeys high, about 120-foot frontage and about 90 feet in depth and he tried to rent it. He finally leased it to the Government for a number of years, how long I do not know, but I think it has some time to run yet. Another building opposite, on the corner of Portage and Graham, on the southwest corner, a little building was located and it was rented to the Income Tax Department about seven or eight years ago and will run for some years yet. Now, I want to know who approved those leases? Who would approve a transaction of that kind?

Mr. DEUTSCH: I did not intend to say that the Department of Public Works does not lease space. Of course it does. It leases space all over the country and it sometimes leases whole buildings. What I was referring to was the other question that where the lease is given to a man who then constructs a building. This is a particular case where the building does not exist. Say for instance a post office is needed in a certain district, and the department can either buy a building or build a building, or the Government may say to a land owner "Look, if you build the building we will give you a lease for ten years". That is the question I was referring to.

Senator HAIG: Who would decide that?

Mr. DEUTSCH: First of all the recommendation for it comes from the Department of Public Works. Treasury Board has to approve it.

Senator HOWDEN: And Treasury Board sets up safeguards?

Mr. DEUTSCH: I have here the regulation that governs leasing. It reads:

"A contracting authority"—that may be a department, usually the Department of Public Works—"without the approval of Treasury Board may enter into a lease if the total amount to be paid during the term of the lease does not exceed \$5,000 and the term of the lease does not exceed five years."

In other words, where the lease is for a longer term than five years or for a greater amount than \$5,000 Treasury Board must approve it.

Senator HOWDEN: That sounds pretty wise.

Senator HAIG: That is a profitable business in my city and I am hoping I am on the Government side some day. I mentioned a minute ago about a building on the southwest corner of Graham and Main Street which has been rented for at least seven years and the Government is paying a very high rent. If the Government needs those buildings I think the buildings should be built by the Government. Income tax work is not going to decrease, work in connection with that will continue for some time. What I want to know is who has the authority to make this kind of lease.

Mr. DEUTSCH: The initial recommendation for making a lease comes usually from the Department of Public Works. If that lease exceeds \$5,000 or extends more than five years in length Treasury Board has to approve it.

Senator HAIG: So Treasury Board can make it for as long a period as they like?

Mr. DEUTSCH: Yes, but of course all the money required for that sort of thing has to be approved by Parliament, so it is not correct to say that Treasury Board may approve any expenditure. That has to be within the money Parliament has voted.



Senator BURCHILL: I am interested in the practice or a policy of the Department of Public Works in going into a small town and building a post office, while there is also a Government building in that town, such as a Customs House, Fisheries office, and other Government departments. I suppose on account of all the different factors involved in the choice of the best location for that post office that the architects of the Department of Public Works make some recommendations. Now in a case like that there are a lot of departments involved, and care has to be exercised in the selection of the best site for the post office. Who makes such a decision? How is it decided? I mean there will be several sites selected in the town. What is the practice?

Mr. DEUTSCH: Usually the recommendations would come from the local representative of the Department of Public Works. The Department of Public Works has got district engineers and district architects in the various parts of the country; and the local Public Works architect would probably make some suggestions or recommendations. The Department in Ottawa, upon the receipt of the recommendations, will discuss them with the various departments and try and reach an agreement between the various departments whether or not this proposal is satisfactory to them all, and they usually try to work out an agreeable arrangement. Supposing they cannot agree in the end, the Department of Public Works has to make a decision.

Senator BURCHILL: They are the final authority?

Mr. DEUTSCH: That is right. The other departments may complain and say, "We do not like this site. We do not like this space," and the Department of Public Works will try to arrive at some satisfactory arrangements; but in the end, if they cannot get a mutual satisfactory agreement, somebody has to make the recommendation, and that recommendation comes from the Department of Public Works.

The CHAIRMAN: I think that is an answer to the question. Are there any other questions on land procurement? The time is running on.

Senator GOLDING: In the purchase of land, is it not a fact that in the early stages of the last war, when sites were being purchased for airfields and air schools and that sort of thing, the Departments had Canadian National Railways land officials purchase those sites?

Mr. DEUTSCH: Yes, there was something like that.

Senator GOLDING: They did a good job. When was that discontinued?

Mr. DEUTSCH: Well, after the war. You see, when the war came on we were suddenly faced with an enormous need of acquiring land for military sites, airports and that sort of thing, and we did not have the organization. So the C.N.R. was used.

Senator GOLDING: The C.N.R. purchased the sites up in our county. There were several up there.

Mr. DEUTSCH: They did use the facilities of the C.N.R., because we did not have the staff.

The CHAIRMAN: I think we will ask you now to go on with the matter of general purchasing, because the time is running along.

Mr. DEUTSCH: As to general purchasing, the government, of course, had to buy a good many supplies of all kinds—stationery, office equipment, furniture, motor vehicles, books—those are just a few of the materials and supplies which have to be bought. The purchasing of these supplies is a subject of regulations. No matter where purchased or who purchases them, there are general regulations that cover the purchasing of supplies of all kinds.

The CHAIRMAN: Are they similar to the ones in connection with land procurement?



Mr. DEUTSCH: Yes, a similar type, with some different provisions.

The CHAIRMAN: Well, I think you should deal with the ones that are different, so that we will have that on record.

Mr. DEUTSCH: These regulations provide that for any purchase contract which is entered into, the contracting authorities shall invite tenders. There are a few exceptions, where the need is one of pressing urgency, and delay would be injurious to the public interest; in other words, tenders must be called for except where it would be injurious to the public interest; or, where there is only one available source of supply. There is obviously no point in calling for tenders if there is only one source of supply. Or, if the estimated expenditures involved do not exceed \$15,000, and it appears to the contracting authority, in view of the nature of the purchase, that it is not advisable to invite tenders; then, the departments may enter into these contracts without approval of Treasury Board; that is, if the amount payable under the contract does not exceed \$15,000. Also, if the amount payable under the contract does exceed \$15,000 but does not exceed \$25,000, and not less than two tenders have been obtained, and the lowest tender accepted; in other words, they may go up to \$25,000 provided there have been at least two tenders and the lowest one is accepted. Anything over \$25,000 has to have the approval of Treasury Board.

Senator EULER: In relation to anything over \$15,000, must the lowest tender be accepted?

Mr. DEUTSCH: It must be accepted. There are certain exceptions, such as pressing emergency.

Senator HORNER: In other words, there is no necessity to invite tenders under \$15,000?

Mr. DEUTSCH: That is right.

Senator HORNER: No tenders asked for?

Mr. DEUTSCH: That is right. If they ask for tenders they must take the lowest tender, but there are certain instances where they are not required to ask for tenders. The exceptions are: pressing emergency; only one source of supply; or there is a general "out"—provided the amount involved does not exceed \$15,000 and it appears to the contracting authority that in view of the nature of the purchase it is not advisable to invite tenders. With these exceptions they must take the lowest tender. The departments may themselves give the contract where it is under \$25,000 provided there are at least two tenders and the lower one is taken. If the amount is over \$25,000 they must get approval of the Treasury Board.

Senator EULER: Over \$25,000, it must be approved by the Treasury Board?

Mr. DEUTSCH: That is right.

Senator EULER: Must the Department always accept the lowest tender?

Mr. DEUTSCH: Yes. The regulations provide that the lowest tender must be taken. Of course Treasury Board may grant exceptions; if the Department puts up a good reason, Treasury Board may approve taking other than the lowest tender.

Senator GOLDING: Mr. Deutsch, are you sure that they absolutely must accept the lowest tender?

Mr. DEUTSCH: No; I say that the Treasury Board can grant an exception.

Senator GOLDING: It is important to emphasize that, because we have seen that kind of thing.

The CHAIRMAN: There is no general overall purchasing authority, is there?

Mr. DEUTSCH: No. First of all, I should state that the total amount and authority given to the department to make purchases has to be approved in estimates.

The CHAIRMAN: Yes. We know that. We have had that before.

Mr. DEUTSCH: Well, you say, is there no limit—

The CHAIRMAN: No, I did not say that. I said there is no overall authority.

Mr. DEUTSCH: The overall authority is precisely the amount of money which they are given in estimates,—to spend money, say, on office equipment or on motor vehicles. That is their authority for purchasing. Now, within that, they have to meet the contract regulations. When they actually go out to buy, they have to do it in accordance with these regulations, and these regulations provide that tenders must be called and the lowest tender must be taken—with certain exceptions. Then, if they go over \$25,000 every single purchase order must be approved by Treasury Board.

Senator ISNOR: Will you tell us about the tenders when they are received—if they are opened in public, and if that policy is followed by all departments?

Mr. DEUTSCH: Yes, I understand that is the case in the Department of Public Works.

Senator SMITH: Not with Defence Production.

Senator ISNOR: No, not with Defence Production.

Mr. DEUTSCH: Usually, inside of the department, the arrangement is that the deputy minister authorizes a number of his officials to open the tenders—not one, but several—and those tenders are available for public inspection.

Senator CONNOLLY: Are they opened in the presence of members of the public?

Mr. DEUTSCH: The public can get the information if it wants it.

Senator ISNOR: Does that policy apply to the Department of Defence Production? I have heard complaints from time to time that they are unable to get the prices on the day following the opening of tenders. That sometimes may be for a whole week. I do know the policy of the Department of Public Works is to open them in public, and of course the information is immediately available. But that does not apply to all departments.

Mr. DEUTSCH: I am not sufficiently familiar with the exact procedure in other departments. If you want to find out the precise procedure in the Department of Defence Production I suggest you call officials from that department.

Senator ISNOR: I think we should.

Mr. DEUTSCH: Obviously I cannot be familiar with all these things and know exactly what each department does. The policy is that they are public tenders for construction.

Senator SMITH: And open to the public.

Mr. DEUTSCH: Yes, the public can get the information.

Senator SMITH: And a senator or member can see them and get information.

Mr. DEUTSCH: That is the general policy.

Senator SMITH: And if that policy is not followed it means they are not following the general policy.

Mr. DEUTSCH: I am not familiar with just precisely how they do it.

The CHAIRMAN: We are not questioning you on this. The committee just wants to know what the general policy is.

Senator HOWDEN: I was mayor of a small city in western Canada at one time and we had occasion to call for tenders, and the tenders were opened in the presence of the tenderers.

The CHAIRMAN: Are there any further questions on this?

Mr. DEUTSCH: I have outlined the general regulations concerning purchase contracts. In addition to these general regulations there are special provisions concerning certain types of purchases. For instances, all purchases of office equipment, stationery and supplies is done by the Queen's Printer. This is centralized and is not done by the individual departments. They simply requisition on the Queen's Printer and he buys on their behalf. He must do this, of course, within the regulations I have mentioned. In the case of furniture, the purchasing is done by the Department of Public Works. That department buys on behalf of all other departments.

Senator HORNER: Would it be possible for the Queen's Printer to make purchases of items below \$15,000 and keep repeating these purchases within a few days of each other?

Mr. DEUTSCH: We watch for that. We get monthly reports on the contracts from the Queen's Printer.

Senator HORNER: He might make a good many purchases of items of \$15,000 and below; and so might Public Works with respect to furniture.

Mr. DEUTSCH: We watch for this.

Senator HORNER: Well, I think it would need a lot of watching.

Mr. DEUTSCH: We keep an eye on this and when we feel the regulations are being evaded we check up.

Senator ISNOR: I understand the Department of Printing and Stationery does a lot of its own printing?

Mr. DEUTSCH: Yes.

Senator ISNOR: How much do they do compared to what they contract out?

Mr. DEUTSCH: About half and half.

Senator ISNOR: Out of the half that is contracted out I suppose most of it is done right here in Ottawa. Is that not so?

Mr. DEUTSCH: Oh, no. It is done in Toronto, Winnipeg, Montreal, Fredericton—

Senator SMITH: Halifax.

Mr. DEUTSCH: Halifax.

Senator ISNOR: No, no. That is the very point I wanted to bring out. I would not have thought of mentioning Halifax. The printers there tell me they do not get an opportunity to even tender.

Mr. DEUTSCH: He is required under these regulations to ask for tenders. I do not know about Halifax but I know that contracts are given out. Quite frankly the main contracts are given to Toronto and Montreal but I have seen some come from Winnipeg and other places.

Senator ISNOR: I think it is pretty well centralized.

Mr. DEUTSCH: If your people wish to tender perhaps they should take it up with the Queen's Printer.

Senator BEAUBIEN: When a department makes a requisition does the Department of Public Works automatically fill the requisition?

Mr. DEUTSCH: No. If it is furniture the Department of Public Works provides the furniture. If it is a case of typewriters, office equipment and stationery, that is done by the Queen's Printer. The Department of Public Works buys furniture for all departments and supplies it to them free of charge. The vote for the purchase of furniture is in the Department of Public Works' estimates. The Department of Public Works buys it, carries the item in its estimates and issues the furniture free of charge to the departments concerned. When departments ask for furniture the Department of Public



Works just does not accept the requisition and fill it out automatically. It is responsible to see to it that that requirement is needed, and it will investigate the circumstances. It will send a man around and find out if the requisition needs to be filled. The departments are also required by the regulations to keep an inventory of their furniture, and they must make a report to the Department of Public Works once a year with respect to their inventory. This enables Public Works, when it gets a requisition, to look at the inventory from the department concerned and say "What have you got? Why can't you use this and that, and so on". They will only fill a requisition if they are satisfied the need is there and has to be filled. Public Works will also require other departments requisitioning to turn in old furniture. It is reconditioned if possible and reissued.

Now, one or two other matters might be mentioned. In the purchase of books, for instance, the departments may purchase books, but all purchases of them, except technical and scientific books, must have the approval of the National Librarian, and the source of supply and the arrangements for purchasing, such as discounts, and so forth, have to be done in accordance with the arrangements made by the National Librarian. So that if a department wishes to buy books other than scientific and technical books, they have to have the approval of the National Librarian to buy them. The reason for that is to prevent duplication in the different departments.

Senator BEAUBIEN: Is that approved by the Treasury Board?

Mr. DEUTSCH: First of all, the amount of money provided for the books is approved by the Treasury Board, but within that any order for books has first of all to be approved by the National Librarian before the order can be placed. That is done to prevent duplication of purchasing, and the purchase has to be made by arrangements with the National Librarian regarding discounts, and so on. So that there is a centralized control over the purchase of books by the department.

Finally, senator, I should mention the motor vehicle purchase regulations. The various departments purchase motor vehicles. There is a series of regulations regarding that, and one of the essential parts of the regulations is that all purchase of motor vehicles must be approved by a motor vehicles committee under the chairmanship of the Comptroller of the Treasury. Thus a department that wishes to buy a motor vehicle first has to get approval of this committee that it is necessary to buy that vehicle. There are certain regulations about purchase. First of all, a vehicle may not be purchased unless the prospective mileage per annum is at least 60,000 miles on Government business, and the vehicle must be driven for at least 60,000 miles before a replacement can be made.

Senator ASELTINE: Before it can be traded in?

Mr. DEUTSCH: Before it can be traded in. Then of course the actual purchase of the vehicles cannot be done without approval of the committee, and when seeking this approval the departments must obtain at least three competitive bids for vehicles; and passenger vehicles purchased must be of the coach type only. Those are the general regulations.

The CHAIRMAN: What about sedans?

Mr. DEUTSCH: They can only be purchased with the approval of this committee. There are very few sedans actually purchased.

Senator SMITH: The R.C.M.P. would have a lot of them?

Mr. DEUTSCH: No, there are few sedans purchased, but in such cases there has to be specific exception permitted. The general rule is that the vehicles must be coach type, and three competitive bids are required.



Senator J. J. CONNOLLY: Where would they get the bids, from the dealer or the wholesaler?

Mr. DEUTSCH: Locally.

Senator ASELTINE: Does that 60,000 mile limit apply to the R.C.M.P. as well as the others?

Mr. DEUTSCH: Yes. Of course, sometimes exceptions will be granted.

Senator ASELTINE: It seems to me that they do not run them that long.

Mr. DEUTSCH: In some cases they might require a better vehicle than one which has gone more than 60,000 miles, especially for chasing people, and things like that. Exceptions are granted where necessary, but the general rule is 60,000 miles.

Senator SMITH: Some go 75,000 and 80,000 in the Fisheries Department; I happen to know that.

Mr. DEUTSCH: Yes; they go a way over.

Senator HOWDEN: Why are coach type cars specified?

Mr. DEUTSCH: Well, because they are more economic.

Now, aside from these things I have mentioned, with office equipment, stationery and supplies, furniture, motor vehicles, and books, there is a degree of centralization there, you see. In the case of office equipment, stationery and supplies, all the purchasing is done in one place—the Queen's Printer. In the case of furniture it is done by the Department of Public Works. In the case of books, the control is exercised by the National Librarian on behalf of all departments. In the case of motor vehicles there is a central committee that has to approve all purchases, and in all these cases there is a degree of centralization.

Senator ISNOR: Who comprises that committee?

Mr. DEUTSCH: The Chairman is the Comptroller of the Treasury, Mr. B. G. McIntyre; other members are: Mr. S. J. Chagnon, Assistant Deputy Minister of Agriculture; Mr. Watters, of the Treasury Board; Mr. Davison, of the Department of Veterans Affairs, and Mr. Landry, my assistant here, is also on the committee. Aside from that the rest of the purchasing is done by the individual departments. For instance, some departments, like the Department of Mines and Technical Surveys, buy a great range of equipment for their field parties—Senator Crerar will know that—such as canoes, tanks, and all the things they need for their field parties. They buy those directly. The Department of Northern Affairs will purchase a lot of materials and supplies for their parks—all the equipment they require for their park wardens, and so on. In those cases all those purchases are done by the individual departments. However, they are subject of course to the limitations within the estimates, and they have to adhere to the purchase regulations, but nevertheless the purchasing is then done directly by those departments. Those departments have purchasing branches which do the purchasing.

The CHAIRMAN: Do all the departments have purchasing branches?

Mr. DEUTSCH: A great many of the departments have purchasing branches, yes. The Department of Citizenship and Immigration have a purchasing branch, and of course they buy a great many supplies for their Indian services, including all the school supplies that the Indian schools use, for instance. The Department of External Affairs have a purchasing branch, because they buy a lot of equipment and furnishings for their places abroad—their embassies, and so on. The Department of Fisheries has a purchasing branch. The Department of Mines and Technical Surveys have a purchasing branch; they buy a lot of equipment for their field parties, or geological survey parties,

and so on. The National Film Board has a purchasing branch; and the Department of National Health and Welfare have one.

Senator ASELTIME: There is no control over their purchases?

Mr. DEUTSCH: Only as I have said, first of all, the control of the amount provided in the estimates and, secondly, they must adhere to these contract regulations, but there is no other centralized control such as we have for furniture, office supplies, and so on, where there is a single purchasing agent—where it is done in one place; but in the case of other supplies it is not, it is done directly by the department. The Department of Northern Affairs have a purchasing branch. So has the Post Office. They buy the mail bags, and uniforms for their postmen, and so on. The penitentiaries have a purchasing branch to buy all the food for inmates, and so on. The Mounted Police have a purchasing branch, and so have the Department of Trade and Commerce. The Department of Transport have a purchasing branch, and so have the Department of Veterans Affairs.

Senator ISNOR: The Post Office has a purchasing branch?

Mr. DEUTSCH: Yes.

Senator ISNOR: Up in central Canada I understand that the express charges on mail boxes are higher than they would ever be able to purchase them in America?

Mr. DEUTSCH: I don't know about that, senator, but in the purchase of their mail boxes and their bags, and so on, they have to obtain tenders, and they give it to the lowest tenderer. I think that pretty well finishes my information.

Senator SMITH: I have one short question. When a department such as Mines and Technical Surveys comes to the Treasury Board at the beginning, when the estimates are being compiled, what control do you have over the amounts expended for purchases? Does the Treasury Board have a staff which examines the Department's request in detail?

Mr. DEUTSCH: Yes.

Senator SMITH: And you have to be satisfied that the amounts they ask for should be put in the book?

Mr. DEUTSCH: Yes. In the Treasury Board we have a staff of specialists in every branch.

Senator SMITH: It must require a large number.

Mr. DEUTSCH: Yes.

Senator SMITH: I was looking for information on that, but failed to find it. You say you have a staff of engineers, architects and so on?

Mr. DEUTSCH: We do not have engineers and architects. But as to the amounts of money expended for the purchase of supplies, these are examined in detail when a department puts up its proposals, and the staff makes a notation on any matters that the Board should give consideration to. The staff of the Board examines the items in detail to see whether the amounts proposed are required. Of course, the Treasury Board does not make the decision.

Senator SMITH: I understand that.

Mr. DEUTSCH: We are simply Civil Servants. But any questions are drawn to the attention of the minister, and he makes the final decision. In some instances we may ask a department whether a proposed purchase is necessary, and we in turn draw it to the attention of the ministers. Often the Board takes a look at the total amount of money provided, and if a department which spent \$1 million last year, asks for a million and a half this year, we ask

them what is the reason for the increase. They may have a very good reason, but we might suggest that they stick with the \$1 million. The Board may make that decision. Of course, the most important control is in the total amount of money that is provided; they have to stay within that sum.

The CHAIRMAN: Any further questions?

Senator HAIG: I presume this is the last time Mr. Deutsch will be with us. On behalf of myself and all members of the committee I should like to express our appreciation for the very able presentation he has made to us. I have one further comment, with which all members may not agree: We want to congratulate Mr. Deutsch on his appointment to the staff of the University of British Columbia. We are sorry to lose him from the Federal service, but if he must go, I think British Columbia needs him more than anybody else.

Mr. DEUTSCH: Thank you very much, Senator, I appreciate your remarks. If at any time you need further information, I shall be glad to attempt to compile it for you.

The CHAIRMAN: Senator Crerar has asked me whether it would be possible for us to get the budgets for the provincial governments for 1956-57. Would it be possible for you to get those for us?

Mr. DEUTSCH: I will try to get them.

Before I conclude, I should like to clear up one matter that may be bothering Senator Isnor and some other members of the committee, with respect to the five-day work week. To make the information complete, I should like to say that since the five-day week has been brought in, the hours of work in the civil service today, as compared to the pre-war days, have increased. In other words, the hours of work before the war were 35½ per week, and the present hours are 37½. It is for that reason that the increase in staff averages today are not as big as they might otherwise have been.

Senator ISNOR: That is very enlightening. To which war are you referring?

Mr. DEUTSCH: The last war. I can give you the information from 1910 to 1940: The hours were 35½ per week, and were increased to a maximum of 41½ during the war; when the emergency was over, they were reduced in July, 1947, to 35½. In 1950, at the beginning of the Korean War, they were increased to 36·45, and they were further increased in 1951 to 38·2 hours; when the five-day week started, first in Toronto, the work week was 38·2 hours; in September, 1953 it was maintained at 38·2, and in July, 1955 it was reduced to 37·5. This was done on the basis of the prevailing practice in industry of 37½ hours for office workers throughout the country. Now, 37½ hours of work will continue, whether or not it is on the basis of a five-day week. Therefore, I think it should be known that when we talk about a five-day week it does not mean a reduced number of working hours. As I have said, our hours of work in the civil service today are longer than they were before the last war.

Senator EULER: Who prepared the statement from which you gave that information?

Mr. DEUTSCH: My own office; we have a complete history of the hours of work.

The committee adjourned.

















CAIYC 13-N14

(Senate), 1956

1956

THE SENATE OF CANADA

Government  
Publications



PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

# FINANCE

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957.

No. 5

THURSDAY, APRIL 26, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES:

*Dominion Bureau of Statistics*

Mr. F. H. Leacy, Director, Research and Development Division; Mr. A. S. Rubinoff, National Income Section, Research and Development Division; Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division; Mr. C. V. Parker, Director, Agriculture Division.

## APPENDICES

- A—Publication of Departmental Reports and other Material Costing Less than \$5,000—fiscal year 1954-55.
- B—Provision of Funds in Main Estimates, 1956-57, on Behalf of Indians and Eskimos.
- C—Comparison of Provincial Government Estimates of Revenue and Expenditure, fiscal year ending March 31, 1956.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956

## STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

### The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly ( <i>Halifax</i>	Howden	Smith
<i>North</i> )	Isnor	Stambaugh
Connolly ( <i>Ottawa West</i> )	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

\*Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

THURSDAY, April 26, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators Hawkins, *Chairman*; Barbour, Bouffard, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Euler, Golding, Haig, Isnor, Leonard, Molson, Reid, Smith, Taylor and Turgeon.—16.

*In attendance:* The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following officials from the Dominion Bureau of Statistics were heard and questioned by members of the Committee:—

Mr. F. H. Leacy, Director, Research and Development Division.

Mr. A. S. Rubinoﬀ, National Income Section, Research and Development Division.

Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division.

Mr. C. V. Parker, Director, Agriculture Division.

The following documents were ordered to be printed as Appendices to these proceedings:

A—Publication of Departmental Reports and Other Material Costing Less Than \$5,000—fiscal year 1954-1955.

B—Provision of Funds in Main Estimates, 1956-1957, on Behalf of Indians and Eskimos.

C—Comparison of Provincial Government Estimates of Revenue and Expenditure with "Net General Revenue and Expenditure Excluding Inter-governmental Transfers" as Published in "Comparative Statistics of Public Finance" Fiscal Year ended March 31, 1956.

At 12.20 p.m. the Committee adjourned until Thursday next, May 3, 1956, at 10.30 a.m.

John A. Hinds,  
*Assistant Chief Clerk of Committees*



**THE SENATE**  
**STANDING COMMITTEE ON FINANCE**

OTTAWA, Thursday, April 26, 1956.

**EVIDENCE**

The Standing Committee on Finance which was authorized to examine the estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the chair.

The CHAIRMAN: Gentlemen, will the committee please come to order. Before we hear the witnesses whom we have asked to come before us this morning there are a few matters I wish to take up with you. I think it was Senator Crerar who asked for a figure showing the total expenditures and revenues of all Governments of Canada for the year 1955. The last figures that our committee had were for 1954. You will recall there was distributed at a previous meeting a list of these expenditures, the list that had been distributed at the Federal-Provincial Conference, but those figures were only to September 1955. The figures that we have this morning cover the fiscal years ended nearest December 31, 1955. This statement will be distributed.

Also, we had a request at our last meeting for the number and the cost of the various publications that were put out by the various departments of Government, each issue of which cost less than \$5,000. You will recall the discussion in connection with it. I think it was Senator Crerar who asked for the total amount, and the answer to his inquiry is shown at the foot of this table, the total being \$947,257.49.

Senator CRERAR: Have you the number of publications there?

The CHAIRMAN: No, only the cost of them by departments. As I have only one copy I will ask, with your permission, that it be incorporated into today's Proceedings as Appendix A.

There was also a request made for information as to the total amount of funds provided for in the main estimates of 1956-57 on behalf of Indians and Eskimos. I have only two copies of that statement and not being able to distribute them I would ask that these be also included into today's Minutes of Proceedings as Appendix B.

I also have a statement showing a comparison of provincial Government estimates of revenue and expenditure with "net general revenue and expenditure excluding intergovernmental transfers" as published in "Comparative Statistics of Public Finance" fiscal year ended March 31, 1956. We have had this information in previous years. There are sufficient copies of this statement to go around, and so I will have them distributed, but I think that when it comes to our making a report it would be more convenient to have this statement in our printed record, and so with your permission, I would ask that it be incorporated into today's Proceedings, as Appendix C.

Agreed.

Gentlemen, we have before us four officials from the Dominion Bureau of Statistics: Mr. F. H. Leacy, Director, Research and Development Division; L. E. Rowebottom, Prices Section Chief, Labour and Prices Division; C. V. Parker, Director, Agriculture Division and A. S. Rubinoff, National Income Section, Research and Development Division.



Mr. Leacy is prepared to give us a statement which we will hear, after which the meeting will be open for questions. Mr. Leacy?

Mr. F. H. LEACY: Mr. Chairman, honourable gentlemen,

The national accounts bring together statistics from a great variety of sources. Most of the data are obtained directly from other divisions within the Bureau of Statistics, but in some cases they come from other government departments. For instance, the annual figures on corporation profits and depreciation are based largely on tabulations of the Department of National Revenue. Import statistics might be regarded as a by-product of the administrative apparatus concerned with import duties. However, most of the data used in estimating the gross national product comes from within the Bureau itself and in this regard it is a great advantage to have the entire apparatus under one roof. By contrast, in some other countries, the national income estimators have to obtain their basic information from scattered sources and they can hardly expect to find it tailored to their requirements. Probably the greatest advantage of having the entire operation under one roof is that there can be a mutual interchange of ideas so that we are all operating according to the same definitions and concepts. In many respects the national accounts constitute a framework and a guide for collecting economic statistics and the end result is the salutary one of a cohesive and organized system of economic intelligence. Of course, there are many users of the primary data which is produced by the Bureau of Statistics. These include the business community at large, and there is a growing interest on the part of the business community in economic statistics. For example, more and more business firms are employing their own economists. Most important of all, is the fact that Government departments have recourse to statistical information and the Bureau of Statistics is the service department charged with the task of meeting their general statistical requirements.

These general points can be illustrated by examining briefly the headings in the main table of gross national product and expenditure which the honourable senators have before them. I propose to indicate the statistical source of each one of the main items of gross national product and expenditure. Before doing this, however, I would ask the indulgence of the honourable senators to digress briefly on the subject of the uses of the national accounts. The main reason for this digression is that statistics themselves can get pretty dull or occasionally meaningless, unless we have in mind the uses they are designed to fulfil.

#### *Uses of the National Accounts*

##### *(1) Government Policy Formulation*

Economic measures designed to counter depression, combat inflation, or mobilize resources for defence or war, are commonly viewed as the responsibility of central governments. The success of such measures necessitates correct appraisal of prevailing economic conditions, particularly of the strengths of the various categories of demand and of what supplies will be available to meet these demands. In this area of government policy formulation, the national accounts have gained a certain recognition, both as basic background material and as a framework within which specific proposals can be rigorously examined.

Probably the most important single use of the gross national product is that made by the Minister of Finance in connection with the Annual Federal Budget. In 1955 he stated: (House of Commons Debates, April 5, 1955, p. 2730)

Assuming normal crops, and if no unforeseen adverse events occur, I would expect our gross national production in 1955 to exceed 1954 by 5 or 6 per cent; that is, it should reach \$25½ billion or perhaps just a bit more, and on that figure I shall base my revenue forecasts.

In retrospect, the actual achievement exceeded his expectations and the gross national product in 1955 amounted to \$26½ billion, an increase of 10 per cent over the preceding year, with concomitant buoyant revenues. This year, the statement of the Minister of Finance is as follows: (House of Commons Debates, March 20, 1955, p. 2327)

We cannot expect, however, to see a physical rate of growth this year equal to that of 1955 when we had a certain amount of slack to begin with so I think that for purposes of revenue forecasting I should not count on an increase in the total national product of more than 5 per cent over last year, this being about the average annual rate of increase in recent years. Assuming stable prices, average crops and no untoward events, this would give a gross national product of close to \$28 billion.

The Economics Division of the Department of Trade and Commerce makes considerable use of the national accounts in its current economic analysis. This analysis is developed within the same statistical and conceptual framework as the National Accounts and is designed to provide guidance and background on which policy decisions may be based. Officials of the Department of Labour are interested in the Accounts from the standpoint of employment and wage levels. Again they are used by the Department of National Health and Welfare in studying the implications of various social security proposals. The Department of Agriculture makes reference to the data in assessing the demand for farm products and in viewing the position of agriculture in the context of the overall economic situation. The industrial distribution of the national income has been used in the work of the Industry Studies Section of the Department of Trade and Commerce. In all of these cases, conclusions arrived at from a study of the data are capable of having a bearing on decisions which are made at the policy level. An outstanding recent example is provided by the Royal Commission on Canada's Economic Prospects. The staff of the Commission have spent considerable time consulting with and obtaining data from officials of the Bureau of Statistics.

## *(2) Administrative Uses by Government*

The most important administrative use of the accounts in Canada has been their adoption by the federal and provincial governments as the basis for adjusting the federal tax rental payments to the provinces. In 1947, the federal government entered into an agreement with the provinces (Ontario and Quebec excepted) whereby it gained exclusive jurisdiction over the fields of personal income taxes, corporation taxes, and succession duties. On its part, the federal government agreed to pay each of the provinces a sum of money which was to be adjusted each year in accordance with changes in gross national product per capita and movements in provincial populations. These agreements were reviewed in 1952, (at which date the Province of Ontario entered) and these present agreements expire in 1957. A further administrative use of the Accounts is in connection with Canada's contribution to international organizations. The National Income, adjusted for certain factors, provides a standard for assessing national contributions.

## *(3) Use by Business and Labour Organizations*

The number of requests received by the Bureau from large corporations, financial houses, trade associations and labour groups testifies to the growing use that is being made of the national accounts in the Canadian business world. In the same way that the accounts provide a guide to the operations of the Canadian government, so they may be used by business men in studying economic trends and analyzing business problems. Many of the larger organ-

izations have now established research and statistics sections, whose purpose it is to assemble and study the facts upon which business decisions can be based.

#### (4) *Educational Uses*

At the more popular level, the national accounts have served a most useful purpose as the basis for educating the general public on economic matters. They provide a framework within which economic questions of public concern can be considered in their quantitative aspects. As pointed out at the beginning of this discussion, the habit of looking at economic problems in quantitative terms and in relation to overall economic magnitudes is becoming quite general. The National Accounts have played a very important part in this development.

At the formal level, the educational value of the Accounts needs little comment. Universities make wide use of the national accounts, both in their teaching programmes and in carrying out their research functions. National income analysis has become the unifying theme of modern economic theory, and the empirical system represented by the National Accounts provides a highly effective teaching device.

#### (5) *Research Uses*

All of the groups discussed above—government, business, labour organizations, and the universities—have made use of the Accounts in various research projects. The behaviour of the economic magnitudes over time reveals significant information about how the economy functions. Moreover, when studied in conjunction with other data, significant correlations may be discovered which provide additional insights into the operation of the economy. Such information, drawn from the historical record, provides valuable background material to governments in framing policies designed to maintain income and employment at high, stable levels. It is equally useful to workers in the fields of business, labour and university research, as intimated above.

#### *Statistical Collection*

I turn now to the less interesting but nevertheless essential subject of collecting statistics. As stated earlier, the national accounts constitute a guide for setting up priorities in the collection of economic statistics. They facilitate maintenance of consistency in statistical collection. Not only are they internally consistent in themselves, but, since they are the "keystone of the statistical arch", further extensions of the general body of economic statistics are more efficiently considered in terms of comparability with the Accounts. A description of the Accounts can be found in the Proceedings of the Standing Committee on Finance, The Senate of Canada, June 12, 1952, p. 307.

In general, the great variety of statistical sources can be classified under two main headings: first, those which require questionnaires to be mailed out from the Bureau to the business community and, second, those which are based on records already available within government departments as an adjunct of the administrative processes of these departments or agencies. Under the first heading, questionnaires mailed and tabulated by the Bureau, we have the broad groups of Salaries and Wages, a large part of Net Income of Unincorporated Business including farmers, Personal Expenditure on Consumer Goods and Services and Gross Domestic Investment. Under the second heading, data already available in administrative records, we have the broad groups of investment income, indirect taxes, depreciation, and government expenditure. Exports and imports of goods and services represent a special case where the basic data are collected through the administrative processes of another



department, but where the statistics themselves are classified, analyzed and published by the Bureau of Statistics. The invisible items such as tourist expenditures, freight and shipping and interest or dividend payments are obtained largely by direct questionnaire. There are other exceptions to the above grouping. Despite these differences, however, the broad groupings can in general be said to apply. According to these groupings, about two-thirds of the values included in the main tables of gross national product and gross national expenditure are based on direct questionnaires mailed by the Bureau, while one-third of the values are represented by administrative records already kept by government, which must only be reworked to a certain extent for purposes of national accounting. Turning to the main tables of gross national product and expenditure which the honourable senators have before them, the first item is salaries and wages.

The general method of estimating the total wage bill consists of calculating the payments made on labour account by the various industrial groups, and summing the results. By far the greater portion of the estimate is based on census of industry tabulations of aggregate payrolls. These records are kept up to date by means of the monthly survey of employment and payrolls. These figures are reported on questionnaires mailed directly to business firms. Government employment and payrolls at all three levels of government are included, and these figures are obtained from governmental records.

The next item, investment income, consists largely of corporate earnings, interest and net rental income of persons. The data on corporation profits before tax are obtained from the Department of National Revenue, which tabulates these for purposes of the corporation income tax. Secrecy provisions are not violated, as we use only the aggregative tabulations, without access to the original returns. A number of adjustments are necessary, including the adding back of depletion charges, and charitable contributions. We have our own sample by direct mail questionnaire for the very current quarterly record of corporation profits. Total residential rents received by persons are estimated on the basis of the housing stock and then expenses are deducted to obtain net rents received by persons.

Net income of agriculture and other unincorporated business consists, in general, of the earnings of working proprietors from their own businesses. The basic estimates of "net income of farm operators from farming operations" are prepared by the agriculture division of the Bureau and adjusted to meet national accounts' definitions. In computing the estimates of "net income of farm operators from farming operations" the agriculture division constructs an operating account for the agriculture industry. Farm cash income from the sale of farm products is first calculated, by type of farm product sold. These estimates rest upon an extensive statistical coverage of the agriculture industry, partly by direct mail questionnaire and partly by utilization of existing administrative records. A considerable amount of data is obtained from the Board of Grain Commissioners and also from the Department of Agriculture, the latter particularly with respect to livestock marketings. The value of the physical change in inventories of grain and livestock held on farms is computed at year-end prices. Farm operating expenses are then deducted from this figure. These include taxes on real estate, net rents on farm land, labour costs, interest on farm debt, feed and seed, binder twine, repairs and depreciation, operating costs of farm machinery, fertilizer and so on. Finally, the complete operating statement is put together to arrive at the estimate of net income.

Net income of independent professional practitioners such as doctors, dentists, nurses, lawyers and engineers are estimated by multiplying average net incomes by the number of independent practitioners in each category. Average net incomes have been established by special surveys. For instance,



net incomes of doctors for the years 1939, and 1944-1946, were obtained from a survey of the medical profession conducted by the national income section. For the years 1946 to the most recent date, average net incomes are obtained from "Taxation Statistics". Independent retailers, such as corner grocery stores, construction contractors and other trades are represented in this group.

*Indirect taxes:* The indirect taxes figures are based on analyses of the public accounts. They consist of collections of revenue, import duties in the form of sales and excise taxes and other real and personal property taxes.

*Depreciation allowances and similar business costs:* Allowances for current consumption of capital, deducted to arrive at profits and net income included in the national income, must be added back to arrive at Gross National Product at market prices. In view of the difficulty of arriving at a figure of the true economic consumption of capital, it is necessary to use current accounting allowances for depreciation, obsolescence and amortization as a basis for the estimate, although these may vary from capital consumption in the economic sense.

Now turning to the right hand side of the main table, we come to the main categories of demand.

*Personal expenditure on consumer goods and services:* The estimates of personal expenditure are calculated under three broad categories: commodities, services and net expenditure abroad. The general method of estimating purchases of commodities is to use the figures of total retail sales obtained from the decennial merchandising census and annual and monthly surveys conducted by the merchandising and services section of the Bureau. Commodities purchased by individuals through non-retail outlets such as bakery and milk deliveries right to the door, are added, as well as certain provincial and local taxes which are not included in the retail sales figures.

The largest item in the service category is rents, which are estimated by multiplying the number of houses by the average rent per house. The latter is obtained by the labour force survey by direct household interview every month. We go around knocking on doors, asking: "What is the rent?"

The net adjustment for personal expenditure abroad is necessary to include, in personal expenditure, the expenditure of Canadian residents in foreign countries, and to exclude the expenditures of non-residents in Canada. The data are obtained from the balance of payments section, Dominion Bureau of Statistics, and the Department of National Defence.

*Government expenditure:* The next demand category, government expenditure on goods and services consists of purchases of goods and services by governments at all three levels, federal, provincial and municipal. The figures include general purpose purchases from Canadian business, capital outlays of governments for schools, highways, buildings and so forth, military expenditures and the salaries and wages of government employees.

At the federal level, the basic data on budgetary expenditure are obtained from a detailed analysis of the public accounts; the figures are converted to a calendar year on the basis of monthly information obtained from the Comptroller of the Treasury. At the provincial level, the data are again obtained by a detailed analysis of the provincial public accounts. These figures are converted by us to a calendar year basis, using a new series of quarterly reports which we obtain directly from the provinces. The municipal estimates are based largely on an analysis of the reports of the provincial departments of municipal affairs, carried out by the Bank of Canada and transmitted by it to us.

*Gross domestic investment:* Gross domestic investment, as defined in the national accounts, includes expenditures for new construction, new machinery and equipment, and changes in inventories of private and government business

enterprise and certain institutions such as universities and hospitals. Expenditures of persons for new housing are also included, since individuals, in their capacity as home-owners, are treated as business enterprisers and also because it is desirable to show all of the private building industry in one place.

For current years, over-all estimates of gross private and public investment in Canada are prepared jointly by the economics division of the Department of Trade and Commerce and the Dominion Bureau of Statistics on the basis of a survey carried out each year. The historical series back to 1926 was prepared by the economics division of the department.

In general, information on capital expenditure of larger firms in private business has been collected by the Bureau annually since 1941 in the capital expenditure survey carried out by the general assignments division of the Bureau. Since 1946, estimates have also been prepared on a forecast basis. In other words, they write to businessmen and ask what will be their capital expenditure next year. This survey has gradually been extended and improved until today the coverage is quite comprehensive.

The basic data on housing come from a variety of sources including a comprehensive monthly survey of housing starts and completions and sample data on wage rates and building material costs.

Inventory changes in the majority of industries are available through annual and monthly surveys carried out by the industry and merchandising division and the agriculture division of the Bureau. About 80 per cent of total non-farm inventory holdings are covered by manufacturing, wholesale and retail trade, where regular continuing sample surveys are carried out by the Bureau.

*Exports and imports (Net investment or disinvestment abroad):* The figures appearing in the national accounts are the gross credits and debits on international current account published by the balance of payments section of the Bureau, with minor adjustments to conform to national accounting concepts. The export data represent a disposition of Canadian production and are an important element of final demand. Imports are of course subtracted because they are not Canadian production, and we wish to measure Canadian production only.

*Summary:*—In summary, a large proportion of all data used in the national accounts is obtained from within the Bureau of Statistics. The principal outside sources are the taxation division of the Department of National Revenue and the public accounts of federal, provincial and local governments. Apart from these two principal outside sources, practically all of the data is obtained from the various divisions of the Bureau itself. The research and development division of the Bureau produces, in addition to the national accounts, the industrial production index, the monthly publication of the *Canadian Statistical Review* and in addition to the regular publication load, we attempt to keep up to date on current economic research. Some research topics of current interest are income distribution, inter-industry commodity flows, labour and capital input to output ratios and money flows or financial accounts related to the national accounts.

In all of this work we have the benefit of close personal contacts with the economists in the various government departments. The real secret of this liaison is the informal discussion or personal telephone call, but there are more formal arrangements of over-riding importance in themselves. Various committees are in existence, to go over the several aspects of the work, co-ordinating it and assigning various priorities in view of our limited resources.

Senator REID: May I at this time ask two questions? Take the statistics on fisheries, and I am speaking particularly of the Pacific Coast, although I think the same applies to the Atlantic. You show the amount paid to the

fishermen on the basis of the quantity of fish. Later, of course, the fish is processed into canned salmon. Do you separate those two items, or add them? When the fishermen are paid for the fish, the value is shown right there. If you take that figure and then add to it the cost of the manufactured product, you are doubling the amount, because the same product in the can is manufactured for which the fishermen have been paid. How do you differentiate between those items? Do you take note of them when you are preparing the figures?

The second question is: in the account given of the expenditures of the federal government, I take it that there is included the amount of money paid to provincial governments; and if that is so, there would be two expenditures shown there. If that is the case, there would be two expenditures, because of what the provincial government spends with the moneys received from the Federal Government: In other words, you would have a double expenditure, unless note was taken of that.

Mr. LEACY: As to your first question on Fisheries, at one time I believe there was cause for concern about duplication, but I understand that has recently been corrected.

Mr. PARKER: Yes, it has been corrected for some time.

Mr. LEACY: Now, you can get the value at the fish caught and landed stage quite separate from the value after the manufacturing stage.

Senator REID: Would both be added finally in the national product?

Mr. LEACY: The net value; each portion would be added, but you would not duplicate by adding the gross amount.

Senator REID: What about my question concerning Dominion Government payments?

Mr. LEACY: The payments to provinces are not included in the national accounts under the item "government expenditures on goods and services". As a payment from the federal government to the province, they are not shown under our Federal Government expenditure. Subsequently, when the province spends the money, it is then entered in the provincial expenditures.

Senator REID: There is just one expenditure.

Mr. LEACY: There is only one.

Senator CRERAR: Let me get that point clearly. You do not include the payments to the provinces under these agreements, as expenditures by the federal government.

Mr. LEACY: That is correct, on goods and services.

Senator CRERAR: You do not include them.

Mr. LEACY: No, we do not.

Senator CRERAR: So that you get the expenditures of the federal government in any particular year, in isolation—that should be included—and they are included in the revenues for expenditures of the provinces?

Mr. LEACY: That is right.

Senator TURGEON: And it is definitely clear that what the provinces give back to the provincial authorities is taken away from their gross amount of tax collections?

Mr. LEACY: Yes. The reason for not counting these payments from the federal government to the provinces, is that in the main table of the national product and expenditure our purpose is to obtain the dollar value of production; and we include in here only those government expenditures which we consider are for production of goods and services, and we try to get them in only once.



Senator HAIG: Mr. Chairman, I would like to ask a question from the agricultural representative. What did you take last year as the basis of wheat produced in Canada, and how did you get your figures for that year?

Mr. PARKER: As Mr. Leacy said, the first figures arrived at in our balance sheet are of the agricultural industry. We get at our wheat receipts in the account from the actual sales that the farmer makes to the country elevators. Of course I am speaking about Western Canada now, Senator Haig. We have those physical figures of the marketings of Canadian wheat, and we multiply those marketings by a farm price which we arrive at through surveys; so it is only the income of wheat that actually left the farm and was sold, that goes into the accounts. But we include later on the payments received from the Wheat Board.

Senator HAIG: I know that. Let me amplify my question to make sure that you are giving me the answer I require. Let us say that a farmer, in 1952, had a crop of which he delivered 80 per cent to the elevator and put 20 per cent in his granary; in 1953 he had a similar surplus which he did not deliver to the elevator, and in 1954 and 1955 he had the same situation. At the end of 1954, let us say, he had a surplus in his granary of some 65,000 bushels, and at the end of 1955, he will have perhaps 75,000 bushels. Is that included in your figures?

Mr. PARKER: Yes.

Senator HAIG: When?

Mr. PARKER: I just gave the income part of it; the other part is carried into the accounts through farm inventories. On the farm inventories we give the physical inventory of grain on farms at the end of the year, and we value the change in it. So, if a man goes up, according to your illustration, 10,000 bushels a year, the increment in the inventories is valued at year-end prices and added into the accounts.

Senator HAIG: But the grain is still in his granary.

Mr. PARKER: Yes, still in his granary, but it is potential wealth.

Senator HAIG: And that is part of the basis of taxation on the national production.

Mr. PARKER: I would not like to answer that; I don't know whether it is the basis of taxation on national product, but it is part of the national production.

Senator HAIG: Let us get this clear. Mr. Harris, and Mr. Abbott before him, said we will tax on the national production. Last year the Minister estimated that it would be \$25 billion, and as it turned out it was \$26 billion. He then fixed his tax basis on that estimated national production, and that is why he said he could not reduce taxes this year because there wasn't considered to be enough income in 1955 to allow him, at the present tax rates, to collect sufficient money. I am not arguing that question, but I want to know what happens with respect to the grain that never puts anything into the pockets of the producers in Canada, say during the years 1952 to 1955. We have over 100 million bushels of wheat in the granaries of Manitoba, Saskatchewan and Alberta now, wheat that has never gone to the elevators at all. But that is apparently included in your estimate.

Mr. LEACY: That is right.

Senator ISNOR: Why should it not be included? Should it not be considered in the same way as stock and inventory in a store?

Senator HAIG: It does not produce any wealth until it is put into circulation.

Senator ISNOR: Certainly not; but merchandise on the shelves doesn't make any return until it is sold. The same is true of grain in the granary.



Senator HAIG: But that is not what your memorandum says. I say your handling of it is wrong, because that wheat never went into circulation. Take the farmer with 65,000 bushels, with 5,000 of it out on the Prairie and a storm comes along and blows most of it away. What happens in that case? It never gets into circulation.

Mr. LEACY: I should say there is a wastage allowance deducted before arriving at an estimate of the national product.

Senator HAIG: But there never was a loss of wheat like this before. Let me turn to another example in the field of housing. Take one house: The lumber that goes into it has already been included, as Senator Reid said, in the production of lumber by the mills, has it not?

Mr. LEACY: Yes.

Senator HAIG: The bank lends some money on the house, and all that is done is to pay that money back. The only other thing that goes into it is labour, and that has already been included in your labour estimate. So that actually the house produces nothing during that year; there is no new production. That is my argument. The only production that one might claim in relation to that house is the profit that the man who built the house made. If it cost him \$10,000 to build and he sold it for \$11,000, the actual production was \$1,000. Am I right or wrong?

Mr. LEACY: I think I can sort out the difficulty very simply. There are two ways of arriving at the total output of the Canadian economy: One is to take all the final products produced by the economy—and that is where your house comes into the final product. Secondly, and quite a different way, is to estimate the total output by adding up the cost incurred at each stage of output; you refer to the wages of the men on the construction job or the interest paid as an item of cost in the operation. These items are on the other side, on the cost side. I think, Senator, you have been talking about two things at once. I mentioned the house being in the total final estimate, and I also mentioned wages as being on the cost side. In my own thinking I keep them quite separately.

Senator HAIG: Last year I think there were about 125,000 housing units started. How much did you include in your figures of national production for those 125,000 units? Did you just charge the whole thing through at \$10,000 or \$11,000 per house?

Mr. LEACY: Yes, sir.

Senator HAIG: But you already had most of that covered in the same year by the labour and other things?

Mr. LEACY: No. The second part is not true. You see, we have our choice: We can count the house, which we do for one set of statistics, or the costs, which is for another set of statistics, and these two will add up to the same total. There is no duplication. We are showing you two ways of arriving at the same count.

Senator HAIG: Your memorandum says you took the wages.

Mr. LEACY: Yes...

Senator LEONARD: Perhaps if you said in the top table that the costs that have gone into the building of that house, labour costs and so on, including services, in the building of the house, all of which finally adds up to a figure which appears on the opposite side; then, on the second table, namely what is left at the end of the year as a result of all the labour that has been spent there is the house costing \$13,000. Is that not straight?

Mr. LEACY: Thank you very much, Senator. You got me out of a difficult situation. That is correct.

Senator HAIG: But you did not tell me you took off the costs. Your memorandum does not say that.

Mr. LEACY: There is another way I can explain the point. The total national production is the sum of the net values added at each stage of the productive process. For instance, if you manufacture some lumber, you add in the wages at the mill; then you take the lumber to the building site, and you add in the wages at the building site; and so on, adding only the net amount created at each stage of the process of production, until finally you have added up to the final production which, as the Senator has said, is shown on the other side of the account as the value of the house.

Senator HAIG: You have already taken wages in to the wage item. You told me that?

Mr. LEACY: Yes, sir.

Senator LEONARD: As an expenditure.

Senator HAIG: But he includes it again.

Senator LEONARD: As I said, one side is expenditures and the other side is assets.

Senator HAIG: But the man started with nothing except a lot. Tell me, throughout the process of building that house is there anything that has not already been taxed under your system? Then, we have all the men who have already been taxed, because you took the total wages for that year.

Mr. LEACY: The only way I can make this clear to you, Senator, is to say that we do not count the house in the total output, if we are measuring on a cost basis.

Senator HAIG: Yes, you do. You take the total number of houses produced and charge them in with the production; I read the figures.

Mr. LEACY: It refers to the construction of a house, which is a separate thing.

Mr. RUBINOFF: Perhaps this could be looked at in the same way as we might look at the accounts of a single person. If a person were to work for a year at an income of \$5,000, we would say this was the amount of production which that person created in the year. Let us say, that out of that \$5,000 he spends \$3,000 on food, clothing and other necessities, and saves and invests \$2,000. We might say that he disposed of his income by spending \$3,000 and saving \$2,000. We could then add these two figures up and say that that person produced \$5,000. Now, there is no duplication there. We are simply looking at the same production as viewed from an income position and from an expenditure position. In fact, Table 1 shows all the various items which you have stated—wages, of the lumberman, the worker on the site, the profits made by the contractor, and so on; all the various incomes appear on Table 1. When we sum these up we get the total value of production. On the other hand, on Table 2, simply taking the expenditure on the house which is the final product, we are able to arrive at the same total expenditure we are now looking at—the way in which it is spent, rather than the way it was earned.

Senator HAIG: Your system as between year and year is reasonable; I can understand it; and if you use the same system every year through the years your comparison will be sound. But my argument is that you put in a return for labour as a general item by itself, total labour paid, but you also put in the total increased value of the houses they produce.

Mr. LEACY: Not in the same table.

Senator HAIG: Not in the same table, but in the same total.

Mr. LEACY: Not in the same total.

Mr. RUBINOFF: You might perhaps refer to page 14 in this connection,—

Senator HAIG: Let us come back to the wheat. How do you justify inclusion in the national product of wheat which has been in a granary for five years, unsold? What do you do with it? How do you justify that?

Mr. LEACY: It stays in inventories, less wastage, until such time as it is sold.

Senator HAIG: But it may never be sold.

Mr. LEACY: Then the wastage would amount to 100 per cent, and it would not be in the output total.

Senator HAIG: There are other items. What about money which the bank loans to the fellow who is doing the job? Do you include that? I presume you include the interest on that as production?

Mr. LEACY: Yes.

Senator HAIG: And the bank gets it all back. Do you include it again in the value of the building? Do you include it twice? You take the total earnings of the bank and include that as production. Am I right?

Mr. LEACY: Yes.

Senator HAIG: And then you take the man who borrowed the money and constructs the building and you put the total value of the building he produces.

Mr. LEACY: But it is a cost when he borrows it.

Senator HAIG: Do you take the cost off the total value of the building he produces?

Mr. LEACY: Yes, we add net value only at each stage of production.

Senator HAIG: Tell me what you take off to get net value? If I remember your memorandum correctly, you include all wages and interest as earned money, and you put the increase in the value of the property as earned money. Am I right?

Mr. LEACY: That is right,—in a cost estimate.

Senator HAIG: I thought so. That is what your memo says.

Mr. RUBINOFF: They are both included. They both add up to the net total.

Senator HAIG: But it is included as national production when it does not exist. My whole argument is this. I do not dispute your figures; I do not dispute the way you get your figures, but I do contend that your figures do not tell the whole truth, because you add the two figures together. For instance, the farmer has not sold his 75,000 bushels of wheat; it is lying there in his granary; he may never sell it.

Senator CRERAR: Is your point that that 75,000 bushels should not be included?

Senator HAIG: Not until it is sold.

Senator CRERAR: That it is misleading when you include it in total production?

Senator HAIG: Correct.

Senator CRERAR: Then I disagree with you.

Senator HAIG: Well, that may be. That is your privilege. You are not the first man to disagree with me.

Senator CRERAR: And I won't be the last.

Senator HAIG: But I want to know these things. Do you include the pay of the soldiers?

Mr. LEACY: Yes.

Senator HAIG: As capital earnings? Well then, we have now about 100,000 soldiers, sailors and airmen. Would it not be a good thing to increase the



number to a million, and then we would earn more money. Would not that be a good idea? What do you think of it? I think your original position is wrong. I do not think it is production.

Mr. ROWEBOTTOM: If they were military personnel, they would not be something else, which they now are. If we add a million people to the country whom we do not have before, but who are doing work, that would increase the product.

Senator HAIG: This memo shows the same thing. The witness told me that the money paid to the soldiers, sailors and airmen represents part of the national production.

Mr. LEACY: That is right.

Senator HAIG: Then, I suggest, we should have a million soldiers.

Mr. ROWEBOTTOM: No, because these men are already included in some other categories.

Senator HAIG: No, they are not.

Mr. ROWEBOTTOM: If they are not soldiers.

Senator HAIG: The 100,000 men produce nothing.

Senator TAYLOR: Oh yes, they do.

Senator HAIG: They do on a theoretical basis, in that they protect us against, say, attack by the Russians; but I do not value that very highly. Is not that correct?

Mr. ROWEBOTTOM: I cannot agree that they produce nothing.

Senator HAIG: What do they do which does our production any good? Show me where they produce any part of the national product.

Mr. PARKER: They produce a service, senator.

Senator HAIG: But this is national production which the government can tax. It cannot tax service.

Mr. PARKER: The government uses some of its revenue for paying soldiers, sailors and airmen from taxes. The payments which are made to them are regarded as a service in the national accounts. We say that is true of the incomes of soldiers, sailors, airmen, civil servants—

Senator LEONARD: Lawyers?

Mr. ROWEBOTTOM: Not in these particulars. This is all an expenditure by the government on what we term a service.

Senator HAIG: I am trying to point out that the public outside think, and I thought before I came on this committee, that what you meant by "the national product" was things Canada produces that could be sold and turned into money. Soldiers do not produce anything that can be turned into money.

The CHAIRMAN: I think this is developing into rather a futile argument, and I would ask Mr. Leacy if he would be prepared to submit to the committee a resumé of his reasoning in connection with it, in view of what has been said here today. It is quite evident that our witnesses are—I am not saying that they are not competent—but they are not prepared to answer your arguments, Senator Haig. At least, if they are, they have not convinced certain members of the committee. Maybe the witness would prefer to submit something to the committee that will clarify this matter. I must admit, Senator Haig, I am 'balled up in the head' over this too. Senator Leonard appears to be able to get a picture of it, but I cannot.

Senator HAIG: There is one further question I want to ask, which is not connected with this. Under professional earnings you include receipts of doctors, dentists, preachers, teachers and, as somebody said, lawyers. Now I happen



to know a little about the latter. A great many lawyers make money outside of law altogether, but it shows in their tax returns as lawyer's income. When the Income Tax supply that information to you, are these revenues included in their production; I mean, when you get the average for them all?

Mr. LEACY: Their income from practice is included under the item "Net income of independent professional practitioners". If they are employed, say, by a corporation, and paid a part-time salary, this would be under "wages and salaries".

Senator HAIG: I know a lawyer in my city who earns about \$75,000 by practising his profession; he also earns \$75,000 as director of various corporations. His return shows that as a lawyer he earns \$150,000, but actually he does not; he earns only \$75,000. Do you take the whole \$150,000 figure?

Mr. LEACY: Yes.

Senator HAIG: And include that for the purposes of the average all over Canada? That would be one of the items included in ordinary earnings by lawyers? That is what you said. You take the earnings of a certain number of men and average the whole profession on that basis?

Mr. LEACY: The average to which I referred excluded their incomes as directors or employees of corporations, which properly belong to the salary and wage item.

Senator HAIG: For instance, I earn something as a lawyer, and a dollar or two as a senator. I put all these receipts, of course, in my return, and it would look as though I received as a lawyer \$10,000 more than I really earn in practice.

Mr. LEACY: No sir. Your income would be shown in two places in "National income": first, under "wages and salaries," and second, under "Net income of unincorporated businesses".

Senator CRERAR: Senator Haig, I don't quite follow this. You are a lawyer; you earn certain income as a lawyer, also as a senator. Now, what tangible profit results from your activities?

Senator HAIG: Well, let us say that you are being threatened with a lawsuit for \$25,000, and you come to see me about it. I tell you to settle on the best terms you can. Acting on my advice you make a settlement for \$5,000, and thus save \$20,000,—which is pretty good; and I charge you five.

Senator CRERAR: Take myself as an example. Each senator gets a gross payment of \$10,000 a year. I come here for five months each year, and I cannot point to any tangible thing which I have produced in that time.

Senator EULER: You are very modest.

Senator CRERAR: It is assumed, and I hope it is true, that I have rendered some service, and consequently the service I rendered is included under my income, much as in the case of a lawyer. You do not produce any grain, you do not produce any lumber, but you render a service. That service is included. Are you going to ignore that altogether in the calculation of national income? I cannot think you can.

Senator HAIG: I never excluded that.

Senator CRERAR: Well, maybe I misunderstood you.

Senator HAIG: The Bureau do not question every lawyer in Canada; they ask a few in Winnipeg, in Toronto, in Montreal, and elsewhere; perhaps not more than ten or twenty in any one place, although there are probably over 400 lawyers in Winnipeg alone. If they happen to ask the fellow who makes \$150,000 a year from the sources I have mentioned, the average is considerably increased. That is what I was talking about. I cannot help it if my friend does not understand language; that is not my fault.

Senator McDONALD: I would like to find out from Mr. Leacy how he checks the reliability of the information he secures from, we will say, the corner grocers. I understood him to say that in a couple of instances, in Tables 1 and 2, the Bureau sends out a questionnaire. Does it check the reliability of the information it gets, or does it take the figures it receives without checking them?

Mr. LEACY: There is a certain amount of auditing for reasonableness, when the questionnaires are received back at the Bureau, and if the information is obviously useless it is not used in the tabulation. But the main check for reliability of the estimates comes at the time of the census, when all these stores are contacted and asked to report. In between census dates we mail questionnaires to only a small sample. At the present time it consists of 6,000, spread all over the country. This sample is scientifically designed to represent all of the stores in the country, so that the extreme measures in the averages, such as the previous senator mentioned, are only given their proper weight in the total. It is a matter of sample design.

Senator ISNOR: In fairness to the small grocery store, you have, I think, a further check; you have their sales every month, reported to the merchandise branch of your department. It receives the sales total for the previous year, say, in January 1955. At the end of the year you will have totalled that amount, and I believe that from time to time you have access to the sales returns and records supplied by that particular merchant to the Income Tax Division. So there is no question but that you have a full opportunity of checking the figures, as to whether they are reliable or not. Is not that a fact?

Mr. LEACY: We do not have access to the individual tax records. We can only check the reliability in particular groups.

Senator ISNOR: Let me carry it a bit further. Could you have at the end of a year the complete sales for a twelve-month period? No merchant keeping records is going to send in one set of figures by the month and another by the year, and still another to the Income Tax Department.

Senator McDONALD: Mr. Chairman, I should like to thank you for the information on that point. I can see that the census returns would be quite helpful.

I have another question which has been bothering me for some time. When I was with the Department of Agriculture in Nova Scotia, I found that there was a hesitancy on the part of farmers to fill in questionnaires which they received for fear they were giving information that would be used for taxation purposes. We tried to dispel that fear amongst the farmers, and I am hoping that the situation is not as bad now as it used to be. Is that so, Mr. Leacy? Is there a little more readiness on the part of the primary producers to fill in questionnaires.

Mr. LEACY: Yes. We try to assure them that their returns to us will be kept absolutely confidential and used by ourselves only; and we publish only the aggregates after having added up thousands and thousands of returns, and no one else has access to the individual returns.

Senator McDONALD: I think it would be helpful to us in getting more reliable information, if your department would assure the people from whom you seek information that what they tell you is not for taxation or any other purpose than for statistics.

Senator MOLSON: May I ask Mr. Leacy if, broadly speaking, the samples that are taken for all the hundreds of different types of information, could be said to be on the scientific basis that most polls and business surveys are taken on? In other words, is the sample a valid cross-section which in most cases produces a small and acceptable margin of effort?

Mr. LEACY: By and large, that is so, Senator. The sampling technique is a new technique, and is changing and being improved every day. But a fair portion of our information is obtained by the sampling technique because it reduces costs.

Senator MOLSON: But the basis in those cases is in accordance with the techniques generally accepted as sound.

Mr. LEACY: Oh yes. It is a specialized profession in itself, designing scientific samples.

Senator ISNOR: Mr. Chairman, I have two questions both dealing with items as mentioned in Table I and Table 2. My first question follows the questions asked by Senator McDonald about the obtaining of information. Is it necessary for you to obtain all the information that you ask for, in so far as the small stores are concerned? As I remember it, your form asks for information on wages or salaries for the month, the number of employees, permanent and casual, the number of hours and days worked in the week. In that case, I wonder how important it is to get information as to the hours and days. The large departmental stores, for instance, are now staggering their staffs, and when they tell you the number of hours and days they work, it does not give you a clear picture to pass over to the labour department as to the actual number of hours worked, in relation to the number of days shown. How important or valuable is that information to you or to the people of Canada?

Mr. RUBINOFF: May I answer that question, Senator?

Senator ISNOR: Certainly.

Mr. RUBINOFF: In attempting to find out how much wages and salaries are paid for a month, the form which is sent out usually refers only to the last pay period in the month. Now, if someone is paid by the month, you of course have only one pay period, but if they are paid by the week it becomes quite important to find out the number of days that the people work in that week. If, for example, people were paid by the week and we want to find out how much they were paid in the month, and let us say there was a holiday in that last week for which they were not paid, by multiplying by four we reduce the total wages paid for the entire month. This would be biased to the extent that the holiday may have fallen in the last week of the month. We know if there was a holiday, and so we ask how many days people worked in the last week of the month. For example, Christmas always falls in the last week of December; if people are paid less during that week, we do not want to say they were paid less for the entire month when we attempt to establish the total.

So, to this extent it is quite vital information for determining the total wages and salaries.

Senator ISNOR: You may have a point there, but I cannot follow you. As I recall the form, you ask for information for the first week and the last two weeks, and then the total for the month. Is that correct?

Mr. RUBINOFF: No, they usually ask for the last pay period in the month. One of the reasons for that is to avoid duplication. If someone were to work one week at the beginning of the month for one employer and work for another employer in the last half of the month, you might say that there were two people working, when in fact there is only one. To avoid this duplication, we count only the one pay period.

Senator ISNOR: I am bringing this matter up, Mr. Chairman, in order to draw it to the attention of the officials in the hope that they will simplify as much as possible the information that they require from retail stores throughout Canada.



My second question deals with item 2, Table 2, government expenditures on goods and services, and more particularly with respect to services. I understand services include expenditures on buildings and highways. I understand you put that down as an expenditure.

Mr. LEACY: Yes.

Senator ISNOR: Do you show it as a capital expenditure any other place?

Mr. LEACY: No, it appears only once under government expenditures.

Senator ISNOR: In other words, if Public Works builds a large building costing \$1½ million, that is an expenditure pure and simple.

Mr. LEACY: Yes, and the full amount shows immediately; it is not capitalized.

Senator ISNOR: Do you say that is good bookkeeping, as far as your record is concerned?

Mr. LEACY: It is different from private practice, but this is the actual governmental practice and it is embodied in our treatment in the accounts.

Senator ISNOR: I agree to some extent with Senator Haig, although I follow the outline as given by Senator Leonard in regard to the setting up of a double system, and showing assets against expenditures in the case of a house. But when you simply show it under one item of expenditure, running into many millions of dollars, for a building which might be sold at some future date and a revenue received from it, then I can't see how you can show it entirely as an expenditure.

Mr. LEACY: This particular treatment is a result of international conventions, and many of the debatable points which were raised previously have been discussed amongst economists and statisticians at international gatherings. The United Nations Statistical Commission discusses these issues each year, and it issues documents recommending international conventions which are to be followed by practising national statisticians. In this way we reach a broad measure of agreement on what is to be included in the gross national product and what is to be excluded.

Senator ISNOR: My last question, Mr. Chairman, is one dealing with the recent increase in the rate of interest charged by the Bank of Canada. Is that reflected in your records in any way? Let me give you an example: Because of the increase in the rate charged by the Bank of Canada, all banks throughout Canada issued a directive stating that from a certain date its rate of interest will show an increase. That increase is naturally reflected in the net earnings or profit of the business firms throughout Canada, but have you any way of following an item like that through your records?

Mr. LEACY: Yes, sir. The actual amount shown under national income is the amount of the net income of the corporations, and this is arrived at after they have paid their interest charges.

Senator ISNOR: My point is that you are adding to the overhead expenses to cover that increase. Is it reflected in any of your records.

Mr. LEACY: Yes, if it means higher expense, the net income is lowered; this is reflected in the national income.

Senator CRERAR: Mr. Chairman, with reference to the table on page 14 of the national accounts, they affect 1953—that is a calendar year?

Mr. LEACY: Yes, sir.

Senator CRERAR: You give the net national income at factor cost, which is \$19 million odd.

Mr. LEACY: Yes, sir.

Senator CRERAR: And the gross national product at market prices of almost \$24½ million.



Mr. LEACY: Yes, sir.

Senator CRERAR: Now, Items 7 and 8 indicate the amounts that are taken off the gross national product to arrive at the net national income. To what extent does depreciation over the whole economy, enter into it, and to what is indirect taxes less subsidies? Have you that information here?

Mr. LEACY: Yes, Items 7 and 8 are shown here.

Senator CRERAR: I think an explanation as to how these differences are arrived at would be of interest to the committee.

Mr. LEACY: The gross national product is the measure of the value of the total output. It is called "gross" because it is the gross without depreciation. The country produces a certain amount of goods and services during the year. Now, are we going to include in that an allowance for the wear and tear on the machinery during that year?

Senator CRERAR: I am not quarrelling with you.

Mr. LEACY: You have your choice; you can take the gross or net total. The gross total is exclusive of depreciation; the net total is net after having deducted depreciation. They are both shown in these tables.

Senator CRERAR: One further question: In arriving at the percentage of our total of all taxation in Canada as related to production, should we take that percentage against the gross national product or against the net national income?

Mr. LEACY: I would say against the gross.

Senator CRERAR: What would be your reasons for that?

Mr. RUBINOFF: It will depend on the circumstances to which you are referring. For example, during a war the important object is definitely to win, and perhaps it does not matter whether we are wearing down our capital equipment in the process of doing so. Given a total amount of production throughout the year, certainly one of the costs of producing this total production was the wear and tear on our capital equipment. But we may say that this is unimportant in view of our objective. So we might say, if we produce \$25 billions gross, nevertheless, for taxation purposes, to take away for expenditure on war purposes a certain amount can be justifiably considered as a percentage of the gross. This would be one circumstance. On the other hand, you may be thinking in terms of the incomes perhaps which are received by persons under items 1 to 5; that is, wages and income and so on; and all of this is net after depreciation; and again, depending on the circumstances, you would certainly, I would think, take percentages of tax to net national income. So it is really a yes-and-no, depending upon the objective which you have.

Senator CRERAR: Well, I found myself perplexed a bit on this point. I am a factory owner; I use certain machines in my operations. I produce a gross value of product of, say, \$25,000, but I know that I have to take into account the depreciation on my machines which produce the product. In the net result I pay, say, \$3,000 in taxes. Now, should a percentage of my tax, to arrive at that, be assessed against my gross product, or what I have left after the depreciation takes place?

Mr. RUBINOFF: Of course the tax you pay itself is based upon the net, because depreciation is a cost which can be charged off against your total operations; so that in effect, you are paying your tax upon your net income.

Senator CRERAR: If you take your over-all taxes, paid at Canadian federal levels, and assess them against your total net national income figure, you would probably arrive at, say, around 25 per cent; but if it is assessed against the net figure, which I think is the correct figure to assess it against, you are paying probably on the order of a third, or 33 per cent. I think it is of some considerable importance.

Mr. LEACY: Senator, might I add something to this discussion? I do not think we can get a complete picture of these comparisons of percentage of tax to income by referring only to tables 1 and 2 which we have in front of us; partly because there is income which is received by persons not included in tables 1 and 2. Here we are including only new production. Persons who pay taxes receive family allowances and other types of transfer payments, although it is also valid, if you are making a comparison, to include income which the government may on one hand tax and on the other hand may be paying out, back, to persons. So to this extent it is also worthwhile to look, for example, at table 3, which shows the total sources of personal income. To get some over-all picture is quite a difficult technical proposition, but I am simply suggesting that it is worthwhile to consider these other factors as well.

Senator CRERAR: This is probably the last thing I have to say. It might be worthwhile for the Bureau to try to analyse that proposition further. It does seem to me to make a distinct difference. I quite realize that these subsidiary payments, such as allowances and pensions and that sort of thing, are not a depreciable item, but I do know that the big item in the difference there is depreciation. Over the whole economy that is the biggest single item, and that means that, so far as the economy is concerned, there has been that decline in the actual value unless it has been replaced by increases elsewhere. I may be quite wrong, but it does appear to me to be a very important point.

Mr. LEACY: The senator is quite correct.

Senator CRERAR: I think economists differ in their treatment of this, but I repeat that we will find today if we take our gross national product, the percentage of over-all tax on that is probably one-third, if you take only the net product figure.

Senator SMITH: I wonder if I can ask a question on table 3, "Investment income": does that mean the net investment income; I mean, income after depreciation and taxes and all the expenses are added together, or some kind of a gross investment income?

Mr. LEACY: This investment income is net.

Senator SMITH: Then why do you, in item 8, table 1, make a special point of adding "Depreciation allowances and similar business costs", if these business costs are already added to someone's balance sheet, and you get a net income for it? Oh, that gives you the gross, then this would be the net plus what they have taken off above here.

Mr. LEACY: Yes, that is correct.

Senator SMITH: As I read a little further I got it. There is another question I have in mind. What kind of subsidies are referred to in Item 7? Wheat subsidies, cheese subsidies, that sort of thing?

Mr. LEACY: Yes.

Senator CONNOLLY (*Halifax North*): Butter!

Mr. LEACY: I would just like to add with regard to Senator Crerar's remarks that these additional details of refinement for purposes of calculating ratios of tax to some income figure are provided in other places in the accounts. When the Minister of Finance says, "I am basing my revenue forecast on a gross national product of \$28 billions," he is making a general statement. What he actually means is that there are a lot of details entering into the gross national product, such as personal income and corporate income, on which the taxes are actually levied, and he is actually using these details of personal and corporate income to make his tax forecast.

Senator CRERAR: I quite appreciate that.

Senator LEONARD: I think I have somewhat the same thought in mind as Senator Crerar has. There have been some economists who have said that there is a maximum amount of gross national production which can be taken by governments at all levels, and that at that maximum amount resistance starts, and it is a danger point. The question in our minds is, in view of the fact that we have a federal system, with governments on dominion, provincial and municipal levels, is the maximum amount of taxation in this country approaching a point in relationship to the gross national production which may be dangerous?

Mr. LEACY: I believe the British economist Colin Clark quoted a figure of 25 per cent of the national income as being the maximum portion that could be reached by a taxation policy. This sort of calculation should be refined along the lines that I mentioned earlier. One would deal separately with personal and corporate incomes. In other words, one would look into the detail behind these tables.

Senator HACKETT: I am not a member of the committee—

The CHAIRMAN: You are welcome, Senator Hackett.

Senator HACKETT: Are we dealing with federal taxation alone, or are we taking into consideration provincial and municipal taxes? These latter, I understand, do not exist in England to the same extent, and in that degree the statement which has been mentioned would have no application here.

Senator LEONARD: Just going back to Mr. Clark's references to all taxation, he was dealing with taxation on the local government stage as well as the United Kingdom stage, and he was relating, with respect to any country, how much tax that country's gross national production could bear. When we come to consider as far as Canada is concerned, we have the provincial level, which the United Kingdom has not got. So long as we have those figures we can arrive at the total amount of taxation for the whole country.

Mr. LEACY: In the United Kingdom accounts they do show the local authority charges, and a similar practice is followed in Canada; but here we have the three levels; and our subsidiary tables in the accounts do show government income and outlay at all three levels of government.

The CHAIRMAN: Are there any further questions, gentlemen?

Senator HAIG: I had some more to ask, but I have been checked off so peremptorily by two other members of the committee that I feel I had better keep them to myself. I am the only Conservative here this morning; but there is only so much time, so I quit.

The CHAIRMAN: We have ample time; there is an hour before lunch, and we will be pleased to hear your submission.

Senator HAIG: I think I will drop it. All I want to say, Mr. Chairman, to these gentlemen is that the public outside does not have the same view of this report they have. The public thinks it is the total real production, not duplicating charges over again. They think when they sell wheat in 1955, it is the actual sale that should be reflected in the product, and not the total of 515 million bushels that were produced; and they think the same about the sale of cattle, hogs and other things. As to buildings, they think it should be the actual increase in the value of the building which should be included. They have an idea that we are producing \$26 billion or \$28 billion, which is not true. If you can't sell these things, there is no use saying they were produced, because they are no good for that particular year. For instance, with respect to wheat produced in 1952 and sold in 1955, you show a duplication there, and I don't see how you can get away from it.

Mr. RUBINOFF: That is not quite correct, Senator. If the wheat is sold in 1955, cash income is increased, but to the same extent inventories are decreased, and so you get a net of zero.



Senator HAIG: The agricultural man told me that with respect to the 75,000 bushels, which I gave as an example, which was in storage in Saskatchewan, this was taken into consideration at the market price in 1952. Now, that is what was left over.

Mr. RUBINOFF: Yes.

Mr. PARKER: Excuse me, but it is only the difference between that and what was on hand the year before.

Senator HAIG: I understand that.

Mr. PARKER: It was not the whole 75,000 bushels,—it might have been only 10,000.

Senator HAIG: 20,000 was the figure I gave.

Mr. PARKER: We only take the difference.

Senator HAIG: I doubt that. It seems to me what you do is estimate what the wheat on the land is worth, and you put that into your estimate.

Mr. RUBINOFF: That is right.

Senator HAIG: And when you sell it you show that return for wheat in 1955.

Mr. RUBINOFF: That is right, but at the same time the reduction of inventories offsets it. Supposing, for example, this 75,000 bushels of wheat was reported in 1952 as production, and let us say that in 1956 this particular man has a complete crop failure; he still has that surplus wheat on his farm, which he then sells for cash income. On the other hand, we would say he reduced his inventory by 75,000 bushels, and we would say his production is zero, which in fact it was, because there was a complete crop failure.

Senator HAIG: But you have already taken its value in 1952; and irrespective of what Senator Crerar has said, the price for 1955 wheat will not be as good as it was in 1952, nor will it be as good in 1956 as it was in 1955.

Mr. RUBINOFF: We take it in 1952 at the initial price.

Senator HAIG: The initial price may not be as good; I think it was down quite considerably. But it seems to you take some of the old stuff in again, and put it into production.

Mr. PARKER: No.

Mr. LEACY: It enters only once.

Senator ISNOR: Mr. Chairman, may I pursue the question as to whether we have reached a danger point in so far as our economy is concerned. I recall the figure of 25 per cent being given; as I remember it for 1952, it was 20·2 per cent, as brought out by Senator Crerar. It will be noted that the expenditures for provinces and municipalities have risen considerably from 1945 to the present time; it dropped as compared with 1939; that is, in the provinces the percentage of expenditures dropped from 28 in 1939 to 20 in 1955, and expenditures by municipal governments over that period have also dropped considerably. But there has been a general increase on a percentage basis. Is that right?

Mr. LEACY: I am sorry, but I do not have these figures with me.

Senator ISNOR: They were given out this morning.

The CHAIRMAN: You are quoting, Senator Isnor, from the document headed "Summary of Net General Revenue and Expenditure, All Governments"?

Senator ISNOR: That is right. I would like to add the thought, if by adding our federal, provincial and municipal expenditures, as compared to revenue, are we reaching a danger point so far as our economy is concerned? Is that question clear?

Mr. LEACY: Yes, the question is quite clear, but I am totally unprepared to answer it.



Senator ISNOR: I think it is very important. I take no credit for bringing it up; Senator Leonard brought it up, but to me it is an important one which affects the future economy of our country. I think we should analyze it and have a very full statement from Mr. Leacy or his department as to the relationship of the two and whether we are reaching a danger point in our economy. Would you do that?

Mr. LEACY: I am afraid it will engage the attention of several departments. There are many debatable issues involved in answering that question, and I should imagine that it would go outside the Bureau of Statistics, which is a fact gathering organization, and involve several other government departments.

Senator ISNOR: We would only want it from the standpoint of your department, as to a comparison between Canada and other countries. I think that would be a good way of arriving at the information I should like to have.

Mr. LEACY: I could produce on very short notice a table showing a comparison with other countries, if that would meet your requirements.

Senator ISNOR: I could look it over.

Senator LEONARD: I think that would be helpful.

The CHAIRMAN: There is one matter on which I think we should have further discussion. It does not seem to me that the committee is altogether satisfied with the explanations given as to how the gross national product and the net national income are arrived at. That is certainly within your purview?

Mr. LEACY: Yes.

The CHAIRMAN: Would you undertake, Mr. Leacy, to try to clarify that in a formal statement to the committee.

Mr. LEACY: I would be pleased to do that.

The CHAIRMAN: Is that the wish of the committee that Mr. Leacy supply us with that information?

Senator TURGEON: I so move, Mr. Chairman.

The CHAIRMAN: If there are no further questions, I should like, on behalf of myself and the committee, to thank you gentlemen very much for coming and giving us the benefit of your information on this very difficult subject.

Senator ISNOR: Does that mean, Mr. Chairman, that these men will not be recalled?

The CHAIRMAN: Do you have something further to ask today?

Senator ISNOR: We naturally listened with a great deal of attention to what Mr. Leacy read to us, which was a very fine brief and gave full coverage, but we could not begin to analyze the different points raised. I should like to see it in print and then have an opportunity of asking further questions. I think this department is so big that we should not dismiss these men today.

The CHAIRMAN: I am not dismissing them. It is the committee's prerogative to call them again if there are other matters which they wish to bring up.

Senator ISNOR: For instance, we have not touched labour. I have no doubt that the representative from the labour branch will tell us what we tried to find out from one of the previous witnesses as to the effect of reduction of hours of work on production or productivity. Perhaps he could give us that information now.

Senator LEONARD: There is one other question I should like to ask the witness, which perhaps he is not prepared to answer today, but he might bring the information at a future date. It relates to the table in which he is going to deal with the total amount of taxation with respect to the gross national production, or whatever figure he relates it to, back over the years from

1954 to 1945, in order that we might see what the trend of experience has been in the growth or decrease in the relationship of taxation to gross national production.

Senator SMITH: I have one question, but I don't know whether it is in order in view of the high level of the discussion. However, perhaps one of the witnesses can make a short comment on the point. The people engaged in small businesses have been telling me for many years that they object to being, what they call, bombarded with requests for information which is used by you people to compile these very important tables and so on. Would you care to indicate just how important it is that these small business people should be compelled to deal with these many requests for information?

Mr. LEACY: I understand their point of view; I have spoken to a few of them myself. I always stress to them the importance of this information at the national level, and try to emphasize to them that it is their patriotic duty to fill out the form—it will take only five minutes, so please fill it out. We really can use it. We endeavour to keep the number of forms to a minimum and to make them as simple as possible.

Senator SMITH: What effort have you made to get that point across to the owners of small businesses? Do you have a public relations branch in your department which does that sort of thing, in order that the small man might better understand what he is asked to do?

Mr. LEACY: Each division in the Bureau has its own type of respondent, and its own method of handling public relations with them.

Senator SMITH: I am not in a small business myself and do not know what the forms require, but I am wondering whether a short covering letter with the form might not indicate the importance attached to it.

Mr. LEACY: Occasionally just the straight form goes out, and sometimes there is a special letter sent by the Dominion Statistician pointing out the need for this particular information. We have obtained a higher rate of response when such a letter has gone out.

The CHAIRMAN: Some requests I know are very peremptory; and if they are not received, in due time, they then refer to certain articles and section of the provisions of the United Nations, and say, in effect, that the little man will be beheaded if he does not get the information within a certain time.

Senator SMITH: I think your Public Relations Branch should take another look at this matter, and you could develop better reception for your forms.

The CHAIRMAN: Perhaps I should not say this at this time, but it seems to me that there is a duplication of information going to various departments. I am not suggesting that the duplication arises in the Bureau of Statistics, but there are quite a few statistical organizations getting the same material in a different way.

Mr. RUBINOFF: I don't think that is quite right, Mr. Chairman. There are certainly various organizations getting statistics, but as far as we can determine we do not duplicate each other except in a minor degree.

Mr. ROWEBOTTOM: To a very considerable extent the demand for information comes from the people who supply it. In other words, business wants the information; they come to us and ask us to provide it on this, that, and the other thing, and in order to do it we get the raw data from them. To a very considerable extent it is a two-way street, with raw material coming from business to the Bureau and analyzed data in the form of statistics going back to business in the form in which they want it for their operations.

The CHAIRMAN: Gentlemen, are there any further questions? If not, we will adjourn, and the next meeting will be on Thursday morning next, at 10.30.

## APPENDIX A

PUBLICATION OF DEPARTMENTAL REPORTS AND OTHER MATERIAL  
COSTING LESS THAN \$5,000—FISCAL YEAR 1954-55

Department	Amount
Agriculture .....	\$140,000.00
Air Transport Board	
Board of Transport Commissioners for Canada .....	8,352.00
Chief Electoral Officer .....	593.00
Citizenship and Immigration .....	78,493.35
Civil Service Commission .....	680.00
Defence Production .....	1,142.00
External Affairs .....	8,000.00
Finance .....	10,548.45
Fisheries .....	11,706.39
Fisheries Research Board .....	33,290.00
Insurance .....	8,553.00
Justice .....	5,514.00
Labour .....	26,550.00
Mines and Technical Surveys .....	89,003.00
National Film Board .....	15,185.00
National Health and Welfare .....	130,648.00
National Library .....	9,704.00
National Revenue—Taxation Division .....	24,469.62
Northern Affairs & National Resources .....	143,095.00
Post Office .....	11,729.91
Public Printing and Stationery .....	1,005.17
Public Archives .....	4,585.00
Public Works .....	428.00
Royal Canadian Mounted Police .....	3,302.00
Secretary of State .....	2,546.00
Bureau of Statistics .....	105,519.00
Transport .....	28,480.12
Veterans Affairs .....	3,468.00
Canadian Maritime Commission .....	556.00
Fisheries Prices Support Board .....	284.48
National Research Council .....	21,965.00
Unemployment Insurance Commission .....	17,862.00
Total .....	<hr/> \$947,257.49



## APPENDIX B

OTTAWA, April 17th 1956.

## MEMORANDUM TO THE SENATE FINANCE COMMITTEE

Provision of Funds in Main Estimates, 1956-57,  
on Behalf of Indians and Eskimos  
Administration  
and Operation

	Capital	Total
Indian Affairs Branch ....	\$ 6,186,529	\$22,700,994
Indian and Eskimo Health Services .....	1,336,200	17,319,821
Eskimo Affairs and Indian and Eskimo Education in the Yukon and North- west Territories .....	2,340,748	4,076,993
	<hr/>	<hr/>
	\$ 9,863,477	\$44,097,808
Social Security Payments ...		8,400,000
		<hr/>
Total .....		\$52,497,808
		<hr/>
Indian population of Canada (Band Census of 1954) .....		151,558
Eskimo population (estimated) .....		8,800
		<hr/>
Total Indian and Eskimo .....		160,358
		<hr/>

The totals pertaining to the Indian Affairs Branch and to the Indian and Eskimo Health Services are taken directly from the Vote Section of the Main Estimates, 1956-57, since the entire function of these units relates to Indians and Eskimos. The figures listed for Eskimo Affairs and Indian and Eskimo Education in the Yukon and Northwest Territories have been arrived at on the basis of a detailed analysis of the Votes of the Northern Administration and Lands Branch of the Department of Northern Affairs and National Resources. The reason for this is that this Branch has duties in the north other than those directly pertaining to Indians and Eskimos so that Vote totals cannot be used without allowing for this.

It might be noted that the Indian Affairs Branch is responsible for Indian education in the provinces, whereas the Department of Northern Affairs and National Resources is responsible for the education of both Indians and Eskimos in the Yukon and Northwest Territories. Thus the costs of Indian education in the provinces are included in the first item in the above table.

Social Security Payments have been estimated and are approximate only.



## APPENDIX C

TABLE I.—COMPARISON OF PROVINCIAL GOVERNMENT ESTIMATES OF REVENUE AND EXPENDITURE WITH "NET GENERAL REVENUE AND EXPENDITURE EXCLUDING INTERGOVERNMENTAL TRANSFERS" AS PUBLISHED IN "COMPARATIVE STATISTICS OF PUBLIC FINANCE" FISCAL YEAR ENDED MARCH 31, 1956  
(Thousands of Dollars)

	Revenue				Expenditure			
	Provincial Estimates			Com- parative <sup>1</sup> Statistics	Provincial Estimates			Com- parative <sup>1</sup> Statistics
	Ordin- ary	Capital	Total		Ordin- ary	Capital	Total	
Newfoundland.....	38,846	4,995	43,841	15,233	38,369	21,208	59,577	42,257
Prince Edward Island.....	8,694	463	9,157	3,352	7,723	3,189	10,912	8,766
Nova Scotia.....	54,529		54,529	30,164	54,401	16,958	71,359	61,492
New Brunswick.....	53,706		53,706	30,676	53,668	7,444	61,112	48,649
Quebec.....	331,857		331,857	330,117	281,106	50,096	331,202	323,868
Ontario.....	385,897	54,675	440,572	227,762	385,032	183,987	569,019	486,453
Manitoba.....	58,475		58,475	28,755	58,319		58,319	50,720
Saskatchewan.....	79,993	19,813	99,806	65,748	79,972	19,813	99,785	96,099
Alberta.....	171,875	5,566	177,441	126,308	121,725	58,238	179,963	153,774
British Columbia.....	194,522		194,522	150,116	212,059		212,059	196,766
Totals per Comparative Statistics.....				1,008,231				1,468,844
Totals per Provincial Es- timates.....			1,463,906				1,653,307	

<sup>1</sup> Taken from Comparative Statistics of Public Finance as outlined in our letter of March 19, 1956.

TABLE II.—PROVINCIAL GOVERNMENT ESTIMATES OF  
REVENUE AND EXPENDITURE  
FOR FISCAL YEAR ENDED MARCH 31, 1957  
(Thousands of Dollars)

	Revenue			Expenditure		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Newfoundland.....						
Prince Edward Island.....	9,395	985	10,380	8,584	3,911	12,495
Nova Scotia.....						
New Brunswick.....	57,937		57,937	57,880		
Quebec.....	374,267		374,267	317,636	56,465	374,101
Ontario.....	483,322	76,950	515,272	487,554	210,423	647,977
Manitoba.....						
Saskatchewan.....	87,172	20,215	107,387	87,147	20,215	107,362
Alberta.....	202,864	5,897	208,761	131,888	60,634	192,522
British Columbia.....	224,537		224,537	258,427		258,427

A comparison of the previous year's provincial Estimates with the figures which have been produced in this Division by making adjustments to the provincial Estimates for statistical purposes (including the elimination of intergovernmental transfers for the purposes of combined government statistics) will reveal the magnitude of the variation between the two sets of figures. The degree of difference between the two sets varies from province to province depending on the methods of setting up the provincial accounts (e.g. on a "gross" or "net" basis) and the coverage of funds (e.g. whether all capital disbursements including loans and advances are shown or only expenditures on fixed assets, etc. or whether special funds are included or not by the province).

Canada, Finance, Standing Committee  
(Senate), 1956

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STANDING COMMITTEE

ON

# FINANCE

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957.

No. 6

THURSDAY, MAY 3, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Major Gen. H. A. Young, Deputy Minister, Public Works Department.

APPENDIX

D—Definition of Gross National Product and Expenditure.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956

# STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

## The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly ( <i>Halifax</i>	Howden	Smith
<i>North</i> )	Isnor	Stambaugh
Connolly ( <i>Ottawa West</i> )	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

\*Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNEILL,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

THURSDAY, May 3, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators: Hawkins, *Chairman*; Aseltine, Barbour, Connolly (*Halifax North*), Crerar, Dupuis, Golding, Haig, Howden, Isnor, Leonard, McKeen, Molson, Paterson, Smith, Taylor and Turgeon—17.

*In attendance:* The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

Maj. Gen. H. A. Young, Deputy Minister, Dept. of Public Works, was heard.

A statement prepared by the Dominion Bureau of Statistics, "Definition of Gross National Product and Expenditure", was ordered to be printed as Appendix D to these proceedings.

At 11.45 a.m. the Committee adjourned until Thursday next, May 10, 1956, at 10.30 a.m.

Attest.

John A. Hinds,  
*Assistant Chief Clerk of Committees.*



## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 3, 1956.

#### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum: I will ask you to come to order, please. You will recall that at the last meeting we had officials here from the Bureau of Statistics; and it was suggested to Mr. Leacy that he might prepare a statement in connection with both the gross national product and the net national income, giving some information as to how these were made up. You will recall there was a good deal of discussion with him, and for my part, and I think this is true of a good many of the senators, I was not entirely satisfied with the evidence. He has submitted this morning—as a matter of fact, it came to me just half an hour ago—that statement I asked for. You will also remember that there was some discussion in connection with taxation in Canada, the United States and the United Kingdom on all levels. He has submitted a comparative statement showing taxes direct and indirect, as a percentage of the gross national product at all levels of Government. I glanced over this and I presume that it is quite a good statement in the way of a technician's report. I am going to ask the secretary to distribute this material, and I would also ask that the documents,—that is, the figures of gross national product and expenditure; the taxation in Canada, United States and the United Kingdom at all levels of Government; and the percentages—be printed as an appendix to today's proceedings.

Senator CRERAR: In the record?

The CHAIRMAN: Yes. Does that meet with your approval?

Hon. SENATORS: Agreed.

The CHAIRMAN: Gentlemen, we have with us this morning Major-General Young, of the Department of Public Works. It will be remembered that Mr. Deutsch was examined in great detail in connection with this matter, especially having to do with the recommendations made in 1952 to the Government as to the activities of the Public Works Department. Just to refresh your memories, I may mention that we asked Mr. Deutsch as to the departments in which Public Works did all construction, maintenance and procurements, departments which performed these activities under statute, rather than through Public Works; methods of procurement, and for what departments Public Works did this; and rental, and the advisability of owning instead of renting public accommodation for the various departments. We have evidence that by statute certain departments carried out these activities themselves, and we tried to inquire from Mr. Deutsch, but did not get any definite statement, as to what departments are continuing to perform these activities: when new buildings are built and the old ones remain in good condition; what is the policy in connection with the disposal of such old buildings or the utilization of them for other government services. Then, although I realize that this is



a matter of policy, I thought you might like to question General Young in connection with the allocation of interdepartmental estimates. You will recall that there was some discussion of this, for instance, in connection with the Post Office, to which Public Works supply a great many services, the expenses of which are charged to Public Works instead of to the department itself. There was also some discussion and some comment in connection with Public Works performing activities on public buildings for other departments in remote areas, and it was suggested that it might be more advisable to get the department concerned to do it if they had the staff on the spot, rather than have Public Works do it. Generally speaking, there are two schools of thought in our committee on that question. I think Senator Crerar said that that was the logical thing to do; some others thought maybe it was not. The discussion of this matter came up, I believe, in connection with Defence and also Northern Affairs.

What is your wish in connection with General Young's activities here today? Should we proceed right away to ask him questions or should he make a statement first with respect to the items we examined previous witnesses on?

Senator HAIG: Mr. Chairman, did you advise General Young of the subjects that we were to discuss?

The CHAIRMAN: Yes.

Senator HAIG: Then I would suggest that he make a statement at the outset covering the subjects we want to ask questions about.

Hon. SENATORS: Agreed.

The CHAIRMAN: I am sure everybody knows Major General Young.

General YOUNG: The first item mentioned related to certain departments carrying out their own construction. For the past two and a half years, since Mr. Winters and I went to the department, we have been endeavouring at the direction of the Government to correlate in Public Works all construction activities with the exception of the departments of Defence and Transport. This has been something that could not be undertaken quickly, for one of the first requirements was a reorganization of Public Works to the end that it could take on this work. There were basically two divisions at the time but it was not organized in a way that the department could take on the work. It took us over a year to implement that organization and develop operating branches designed to expand and take on work. We now have four such operating branches. We have our building construction branch, which is responsible only for the construction of buildings. We have now a new property and building management branch which looks after real estate property, rentals, leases, maintenance, and that sort of thing.

We felt that the engineering side was so complex and diversified that two engineering branches were required, one operating with harbours, rivers, docks, dredging, and generally anything relating to marine work. The other branch is called the Development engineering branch. It relates to roads generally and their development, bridges, the testing of materials, international and inter-provincial bridges.

Stores and accounting was expanded from a small division more or less into a branch to the end that it could handle a great amount of the purchase of stores and equipment for Government departments. The Department of Northern Affairs and National Resources had a very comprehensive architectural set-up and did all their own work. That has been completely transferred to us. The Unemployment Insurance Office had a set-up of their own. Leasing and provision of accommodation has been completely transferred to us. Construction work in the Department of Citizenship and Immigration is now in the process of being transferred to us too.

We are doing practically all of the Royal Canadian Mounted Police work now, and we are doing some for the Department of Transport with respect to buildings where they ask us to take on building construction.

We think we have made progress but we feel there is still room for a further improvement in centralizing Public Works.

I might give the committee some idea of the expenditures we have made on behalf of various departments in the past year: the Royal Canadian Mounted Police, nearly \$3 million; the Department of Agriculture, \$2 million; the Department of Veterans Affairs, \$7,700,000; the Department of National Health and Welfare, \$1,700,000; the Department of Citizenship and Immigration, \$1,250,000—which will be increased now as we are taking over—the National Research Council, \$200,000; the Federal District Commission, \$200,000; the Department of Fisheries, \$170,000, and \$25,000 for a small job for the Imperial War Graves Commission in connection with a monument, and \$80,000 for the Department of Transport. Those figures are about treble what they would have been two years ago.

Senator HOWDEN: Is this a new venture on the part of Public Works?

General YOUNG: Yes, but it has been at the direction of the Government. The Prime Minister and the Minister of Finance directed Public Works to correlate construction.

Senator HOWDEN: Was this undertaken after some study or did you just decide to try doing all your own work?

General YOUNG: I think it really resulted from a recommendation of this committee in 1952. It seems to me that is the way the ball started to roll, and when Mr. Winters and I went to the department we were instructed to prepare the department for the taking over of construction. We have indicated to other departments that we can take on even more work now. It is only recently that we have felt confident enough to do so, but I think we have now arrived at the time when this can be done, even to the extent of including penitentiaries, and other construction.

Senator HAIG: What about the Post Office?

General YOUNG: Well, the statement before me relates to activities of other departments. The Post Office has always been considered ours. Federal buildings generally have always been under Public Works, and Public Works has always carried out the construction.

Senator CRERAR: Has it always been the case? I have observed in the past advertisements in newspapers from one department or another department calling for tenders to build a public building, and stating that plans and specifications were available from the department and it would come out of Public Works. Now, that is a bad practice and, as a matter of fact, it is quite contrary to the Public Works Act, but I gather from what General Young has said to us, Mr. Chairman, that practice is on the way out.

General YOUNG: That is correct, sir.

Senator CRERAR: I have one or two other questions to ask. The different departments, in their request to Parliament for funds, estimate and put in their estimates the amount that Public Works is required to do.

General YOUNG: In so far as general buildings are concerned, it is completely divided. You have the Public Works carrying the vote for federal buildings and post offices—there may be a combination of the post office and federal building—but Public Works carry that vote. For instance, the federal building in Winnipeg serves several departments, and that vote is carried in Public Works.

Senator CRERAR: Let me illustrate more directly. The Department of Agriculture, we will say, wants to put up a science building at the Experimental Farm in Saskatchewan.

General YOUNG: That would be in Agriculture, and they transfer the funds to us if they want to build it.

Senator CRERAR: You put up the building, which is for Agriculture also; you direct the building and they give you the money?

General YOUNG: That is correct. Sometimes they do construct their own. But in an increasing way we are doing that work.

Senator CRERAR: What about the National Parks?

General YOUNG: In the National Parks, we are doing all major construction of new buildings, capital construction on roads and major repair. Minor maintenance is still done by the department. They supply the funds for us, where we do the work.

Senator CRERAR: Yes, I think that is a desirable thing. Twenty years ago the Department of Natural Resources was set up, and provision was made for an engineering and surveys department, because the Department of Natural Resources at that time were responsible for surveys on the Atlantic and Pacific coasts. But I definitely have come to the conclusion that as far as I am concerned all these main structures everywhere should be under Public Works requirement, because that is the department which has the corps of engineers and so on, to carry it out. I have one further question. How far do you go in External Affairs, for instance, when they want to put up a building in say Rome?

General YOUNG: We have not gone very far in External Affairs. We do provide maintenance of buildings in Washington, rental accommodation in New York, and we are presently administering most of the leases in London, England, but not all. I would say roughly about two-thirds. Trade and Commerce, External Affairs and National Defence have their own. As you perhaps know, Mr. Chairman, we are in the process of constructing an office building in London, England, and that will be administered by us and will terminate all these other leases.

Senator TURGEON: Will that do away with the leaseholds?

General YOUNG: Yes, although it will take perhaps ten years to get rid of them all. But apart from supplying a small amount of accommodation in Washington, New York and London, we have not been called upon and we do nothing for External Affairs.

Senator CRERAR: That is a matter of arrangement, as to how it can be done most economically. For instance, if repairs were needed to the embassy in Rome, there would be quite a bill of expense involved for the Public Works Department to send someone there for that job.

General YOUNG: They have an architect in Paris who looks after their buildings.

Senator McDONALD: Mr. Chairman, General Young said in his opening remarks that his department was now doing work for all departments except Transport and Defence; a little later I understood him to say that they were commencing to work for these two departments. I should like to express the hope, and I am sure it was the hope of the members of the committee in other years, that the Department of Public Works could take over the work for all departments. I am wondering if that is the intention; and also, when you do take over these other departments, do you take over their staffs, at least the most competent members.

General YOUNG: Yes. For instance, when we took over the Department of Northern Affairs we took over the staff that was involved. Actually, they had mostly vacancies because of the shortage of engineers, but they transferred their staff and vacancies to us.



With regard to Transport and Defence, I feel I cannot answer that question. We do all they ask us to do. Frequently Defence will ask us to construct a dock or jetty for the Navy.

Senator HAIG: I should like to ask General Young a question, but first let me give an illustration. About four years ago you started to acquire land to build a new Post Office in the city of Winnipeg.

General YOUNG: Yes.

Senator HAIG: Who looked after the acquiring of that land?

General YOUNG: We did.

Senator HAIG: And you completed that building?

General YOUNG: Yes.

Senator HAIG: What about the old Post Office?

General YOUNG: Well, when we complete the new building the question arises as to the use of the old. We made a very careful study to determine whether or not we can decrease our rentals by modifying the old building so as to use it. If we have leaseholds in that area we make every effort to see if we can use the old building in some way or another. Failing that it is of course declared surplus.

But the situation in Winnipeg created a very interesting study. When the new building is completed we will have left out on leaseholds the Unemployment Insurance Commission and the Income Tax Department. The obvious thing to do was to use the old Post Office for these two groups. However, our study showed that the old Post Office was not suited to ordinary office accommodation; it was going to cost us something to the order of \$750,000 to take over the old building and make it suitable for ordinary office use. Secondly, the Unemployment Insurance Commission objected most strenuously to being placed on Portage Avenue.

Senator CRERAR: You say they objected to being placed on Portage Avenue?

General YOUNG: This was a factor. They objected to being located on Portage Avenue because during the months of January and February men would be standing around outside; that is to say, you cannot hope to provide accommodation for all the men during the peak period. During nine months of the year you will find practically no one in the Unemployment Insurance office, but during January, February and March, it is packed solid inside with a line-up outside.

Senator HAIG: Who makes the examination into the location of the site?

General YOUNG: We do, naturally, sir. We have to be guided though by the department we are servicing in the selection of sites. Generally we have to select a site which is acceptable to them. If they say that our post office cannot operate in that location or it is most disadvantageous to perform their service there. Sometimes we do not agree and indicate that according to the economics it will be necessary for them to accept. But by and large we try to meet their wishes. We had two factors to consider in the Winnipeg post office, one, the terrific cost of conversion and secondly the undesirability of locating the Unemployment Insurance Office on Portage avenue—they preferred Notre or Sherbrooke street in order to get them away from the Main street. There were no other uses for the building just then, other than those two. Deleting unemployment insurance made it uneconomic to spend this three-quarters of a million dollars on the building.

Senator HAIG: There is another building behind the post office that was built by the Government to increase the post office facilities. That, though, is not the same kind of a building as the main post office building?

General YOUNG: I know.



Senator HAIG: Could it be used for department purposes?

General YOUNG: It is not big enough to fit either one.

Senator HAIG: When you come to buy the land for the new post office who does that? Is there a regular department to do it?

General YOUNG: First we get reports from all Government departments as to the amount of space they want in the new building. I think in former times that that was taken very literally and requirements were built to suit them. We have now a departmental committee consisting of my Assistant Deputy, two architects and an engineer. They review the department's estimates of space required. We have a section now that is being developed as an authority on what space should be allocated. We have only had it going a year. That department assesses people working, the type of work to be done, and say to the post office, instead of wanting 40,000 square feet, our opinion is that all you need is 30,000 square feet. We gather all information possible and then write to our district architect and tell him that a building of an approximate size is to be built which will require a property of such and such a size for the new building. Working with the local officials of the department concerned, that is the Regional Supervisor of the Post Office Department, the District Architect in consultation with them makes a survey and provides normally about three or four alternative sites. We study those and we say for some reason or other site No. 1 is out of the picture but sites Nos. 2 and 3 seem to have possibilities. Then we try to get valuations. Generally we have to go out and get professional appraisers to give us the appraised values of these properties. We use that information to decide which one is more economical and satisfactory and then we proceed to acquire it.

Senator McKEEN: There is one question Mr. Chairman, that I had in mind. General Young says that they would build this agriculture building. I would like to ask him if he has an engineer and architectural staff to do that work, or are the plans for the whole thing handed over to him after the Agriculture Department has decided upon it.

General YOUNG: Frequently the project has been handed to us half done, but now we are getting them to come to us initially with perhaps very rough sketch plans. We have been in trouble with two or three buildings in the past year with other departments which sent us the plans and specifications which were impractical. One department wanted heavy structural steel away up in the far north where you could not get steel in.

Senator McKEEN: This committee recommended that there be a curtailing of waste motion and lost time in doing this work, that one department should take over all engineering, architecture and building under their control. Is it your idea to carry through so that when a department wants a building for a certain purpose your architects and engineers would make the plans, draw up the specifications after that department tells you what they want?

General YOUNG: Yes. The plan is working very well with one department, the Department of National Resources and Northern Affairs. That department has no technical staff, with the exception of one officer who works with us. Agriculture on the other hand still have a staff of their own. We have not taken Agriculture over completely. They have a small staff who do a certain amount of this work and sometimes come to us with the plans half made, but we are trying to discourage that.

Senator ISNOR: Mr. Chairman, I would like to pursue the thought expressed by Senator McDonald and Senator McKeen in regard to the taking over by Public Works of all departmental construction. I very well recall the discussions which took place in 1954 and 1952. I think Mr. Murphy at that time stated he was anxious to meet the wishes, if possible, of this committee in having his Department of Public Works take over all engineering and construction work largely because it was within the scope of the Act.

Senator McDONALD: As a matter of savings.

Senator ISNOR: As a matter of savings, yes. Now I want to ask a question: You are familiar with the estimates of your own department, the engineering, construction, architecture features. How do those compare with the similar features of the Department of Defence for the same items?

General YOUNG: I am afraid I could not answer that Senator Isnor.

Senator ISNOR: How would it be in the matter of construction of the buildings involved, in dollars and cents?

General YOUNG: As between Defence and ourselves?

Senator ISNOR: Yes.

General YOUNG: I am afraid I could not give you the answer. Their construction program is different. They have camps and their camp construction is tied up with their capital buildings. I could try and get it. Treasury Board may have a better analysis.

Senator ISNOR: I think it is important to examine those two items, one, the cost of that particular branch of work as compared with your estimates, and see which is the greater. I think it is the thought of all members of this committee that in time you should take over all construction work as outlined in the Public Works Act. I want to ask this question: It refers to the evidence given recently by Mr. Leacy. You no doubt read the evidence. If I recall when you construct a building you have a total cost before you and you enter that as the capital expenditure.

General YOUNG: Yes.

Senator ISNOR: And you list that from year to year, giving the amount spent, the location of that building and the date: In other words you could tell me right away, at least on very short notice as to when such and such a building was constructed and the cost as shown, as a yearly expenditure?

General YOUNG: Yes.

Senator ISNOR: Have you read the evidence given by Mr. Leacy in regard to his handling of the construction of a building?

General YOUNG: I have not seen it.

Senator ISNOR: He stated that when a building was constructed they immediately termed it an expenditure, and no further thought was given to the capital expenditure.

General YOUNG: I think that is correct.

Senator ISNOR: I wonder how you reconcile these two statements.

General YOUNG: The Department of Finance have, I think, an inventory value in the financial statement of Canada.

Senator ISNOR: It is pretty difficult for a man like myself to reconcile those two facts,—one, shown as a capital expenditure and carried as an asset down through the years; and you might dispose of one of those buildings?

General YOUNG: That is right.

Senator ISNOR: And the revenue would be coming into your department, or the consolidated revenue.

General YOUNG: It would go to the Receiver General.

Senator ISNOR: In any case, it would be revenue coming in to offset that capital expenditure; while on the other side of the ledger, or in another set of books operated by the Department of Finance, that item is not shown as a capital expenditure, but is at once written off as an expenditure?

General YOUNG: I think that is substantially correct.

Senator ISNOR: I am outlining this for the thought, Mr. Chairman, that when you are making your recommendations, in view of the confusing statements—one made by General Young and one by Mr. Leacy—we should be able to have a clear picture in the future as to whether it is a capital expenditure. I certainly believe it is a capital expenditure. I think General Young has intimated it is a capital expenditure; and the other branches of the Government show it entirely as a capital expenditure, and no further thought is given to the matter. I just want to make that observation, with a view to further thought.

The CHAIRMAN: Gentlemen, I think our friends who have to go to the other committee have gone. I have interrupted you, Senator Haig.

Senator HAIG: I do not altogether agree with the last speaker. I do not think the department should worry itself about where the charges are to be made in the books of your department, Mr. Young. I was anxious in 1952, and I am still anxious that all the primary construction work should be done under one department, that is, the acquiring of land, the building of new buildings, the drafting of plans on the advice and with the co-operation of the department concerned. I am quite agreeable to your other suggestion, that when an old building is no longer useful for a post office, your department should have the right, with advice from wherever you need it, to recommend to the Government what should be done with the building. I agree with all that procedure. In 1952, as the honourable senator from Churchill will remember, when we found out that so many departments were doing the same kind of thing, we asked why there could not be one department with trained men for the work. You might have to pay more money, but you would get men trained to do this kind of thing. I think it would be nice to do what the honourable senator from Halifax says. I am not questioning it, but I want to put the emphasis where it belongs. The construction, the initial work, the dealing with it, is in your department—just where we want it.

General YOUNG: With all due deference to the rights of Crown Assets it would be helpful if we had more freedom in the disposal of property—making changes. Frequently we could make good deals of trading properties in that position.

Senator HAIG: Another question I would like to ask—I don't think it comes under the things we suggested—relates to roads. The Government has just put through a good roads bill; I think it has been passed; and naturally we are all terribly interested. I do not mean politically interested, but we are interested because we think it is a real Canadian enterprise. Has that project been built up in your department?

General YOUNG: The Trans-Canada highways?

Senator HAIG: Yes.

General YOUNG: We are now developing a highways division. Mr. Williams is the chief engineer. Under that branch we have all the highways for which the federal government is now responsible.

Senator HAIG: That includes, first, the Trans-Canada Highway?

General YOUNG: I will come back to that in a minute; the roads in national parks, the roads in the Northwest Territories and the Yukon, and where we have participation in development works, with provincial governments, and mining companies and ourselves sharing a third. They all come in this Highways division. The Trans-Canada Highway is completely in our control.

Senator HAIG: There is a certain man I could ask, but he will never tell me, so I will ask you. Manitoba built a cut-off from Winnipeg to Kenora. It used to run north about eight miles, then east and back again. Now they are running straight east from Winnipeg, and the highway now on the



north side of the Assiniboine River is to run on the south side of the Assiniboine River. Does your department keep track of it, inspect it and follow it as it goes along?

General YOUNG: Yes. The province submits to the Minister its proposals on the route and they are analyzed by our engineers. If in our opinion there is a better route costing less money, we go back to the province and suggest to them that the change be made. In the case of Manitoba, for instance, you may recall that they were going through the centre of Winnipeg, down Broadway to Portage Avenue, and we suggested that they might consider by-passing Winnipeg with the main highway.

Senator HAIG: That is what they are doing, too.

General YOUNG: Well, we kept suggesting it to them, and finally they adopted it. But all factors being reasonably equal, we accept what a province puts forward.

Senator HAIG: You use that same policy in every province?

General YOUNG: The same principle.

Senator HOWDEN: What would you do with the former route? Let it go to seed? I have in mind that part of the Trans-Canada Highway that led out to Baie St. Paul.

The CHAIRMAN: That is on the north side of the river.

Senator HOWDEN: They spent a lot of money on it. Are they going to ditch it?

Senator CRERAR: That is a matter for the provincial government.

General YOUNG: If the provincial government has designated a route and it is submitted to us, we normally accept it. If for local reasons they want to change the route and we consider the alternative is reasonable, we take a credit on what has been paid on the original highway.

Senator HOWDEN: Manitoba wants to change the route, because on the north side it is drowned out every spring.

Senator BARBOUR: I would like to ask General Young about the disposal of the post office in Charlottetown when the new building will be completed. I do not imagine they will have any other offices to begin with. The local government have a priority right to buy.

General YOUNG: No sir. We try to make, first, an analysis, as regard the departments for which we are responsible. Then we generally check with Transport or Defence. If they have no requirements we declare it surplus to Crown Assets. But if in the meantime we are advised that the municipality is interested, we put on the declaration "The City of Charlottetown is interested in acquiring this property". We cannot go any further. For instance, the City of Winnipeg is anxious to acquire the old post office building as a library. There we also have the Canadian National interested, and the C.B.C. We are trying to get some idea to be helpful to Crown Assets.

Senator BARBOUR: Then, with regard to the Trans-Canada Highway, you are acquainted with the problem of Hillsboro bridge?

General YOUNG: That is right, sir.

Senator BARBOUR: Are your engineers working on that at the present time?

General YOUNG: We are working on that at the present time to determine whether or not the piers of the existing railway bridge can be repaired to carry the highway.

Senator BARBOUR: Then, are you going to be able to fit that bridge into the 90 per cent that you are allowing now—

General YOUNG: That is under discussion at the moment, sir.



Senator BARBOUR: I hope you will be successful.

The CHAIRMAN: That is a deep way around!

Senator MOLSON: Mr. Chairman, I would like to refer to some of the earlier meetings of this committee when we were discussing the function of Public Works with relation to other departments. It was when Mr. Deutsch was before the committee. At that time it appeared that in the case of many Government departments the charges for construction and building operations did not appear in the estimates of those various departments because the Department of Public Works was including in its own estimates the figures covering those items. The Post Office Department was given as a prime example. It emerged that annually there were millions of dollars shown in the estimates of Public Works which perhaps more normally should have been charged to other departments. I would like to ask General Young if there has been any thought given to putting these charges where they belong or whether, if no change is contemplated, Public Works is going to cover many millions of dollars which might normally be charged to other departments?

General YOUNG: No. There have been discussions on it. We have had discussions with officials of the Treasury Board on the general principle of whether each department should carry the money for its accommodation and hand the money over to us to build, or whether to go to the other extreme and have everything put in Public Works and then have it broken down on an accounting basis so that it could be shown at any time. However, no progress has been made. I believe Treasury Board feels that it would be preferable to have the money in each department and you could look at a department and see what that department is spending. Nothing very concrete has developed. It is a policy matter.

Senator MOLSON: Apart from it being a policy matter, doesn't it present other problems from an administrative point of view?

General YOUNG: I do not think from our point of view it would make any difference whether all the money was in Public Works and in an accounting way charged to the various departments or whether it is in the respective departments. Psychologically I think there is frequently a feeling in a department that they would like to spend their own money. They feel "Well, we are handing over \$2 million to Public Works and we have sort of lost control of it and they may not be as careful as we would have been".

Senator MOLSON: It is not just the spending but a question of the allocation of the charges. Let us forget construction work for a minute and turn to routine operations. When you do that it does change the figures very substantially. For example, there are millions of dollars under the heading of Public Works but that money is not for your department. It is for other departments.

General YOUNG: We are a service department and whether it is shown in our vote or in the vote of another department, it is not for us to say.

Senator MOLSON: But when you come to routine operation it is a little different than construction.

General YOUNG: For instance, we rented some space in Montreal from our federal building accommodation to the St. Lawrence Seaway Authority. We worked out what the rent should be. We did not know offhand. We went about it as though we were a private firm, estimating the cost, amortization, what we would normally pay for insurance, maintenance, and that sort of thing. We based our rental to the Seaway Authority on that. That is what you would like to see done with all departments?

Senator MOLSON: Yes, with all departments.

General YOUNG: In other words, we would charge the Post Office Department say, rental each year based on capital and all these other factors?

Senator MOLSON: Yes, and in the case of construction you would charge the whole amount of the building.

General YOUNG: It would not create any difficulty for us but it has not been done.

Senator LEONARD: May I ask one question pursuing the matter of extension of the jurisdiction of the Department of Public Works and taking Defence Production as an example? Let us assume we are not discussing a question of policy. General Young, from your experience in the army, Central Mortgage and Public Works, would you say that from a practical and feasible standpoint your department would be competent to do a job such as the acquisition of the Gagetown Military Training Centre?

General YOUNG: Yes, we could have taken on Gagetown. We would have to have six months' warning but we could have taken it on.

Senator McDONALD: I am not altogether satisfied with the answer I got to my question. I do not think it is General Young's fault but I have to take it, it is still not the policy of the Government for Public Works to do the construction work for Defence and Transport, is that right?

General YOUNG: Yes. If I have to say yes or no, the answer is yes.

Senator McDONALD: Probably because of the special needs.

General YOUNG: In the case of Defence it is possibly because Public Works was not prepared and organized to take it on in 1950 when the rapid extension of Defence started. I think that is the reason they embarked on their own construction program to the extent they did.

Senator McDONALD: And also I suppose because up to the present time you would not have had sufficient staff to do the work of all departments?

General YOUNG: That is right.

Senator CRERAR: I would like to ask a question just to clear up an impression I got from the witness a moment ago. Do you charge the Post Office Department rental for the new Post Office Building?

General YOUNG: No, sir. They are not charged a cent for anything.

Senator CRERAR: That brings me to another point. General Young probably should not be asked for his opinion but the conviction has long been in my mind that the Department of Public Works should be the landlord for all the other departments. That is, if a public building is to be erected it should be erected by the Department of Public Works and a fair amount of rental and depreciation on the building should be shown in the estimates of the department for whom the building was erected. As it is today we do not get a correct appraisal of the cost, say, of the Department of Agriculture because buildings are handed to the department or are provided for them—that is a better term. They do not pay any rent nor do they pay maintenance and upkeep. That could be included in rent. I think that is the simplest way. We cover amortization and all those things.

Senator CRERAR: Quite, but the result of that is that the fees, the expenditures do not show in the departments, and they are proper expenditures that should show in the departments. I know that is a question of policy.

General YOUNG: Under the same principle which operates with respect to the seaway, which I mentioned, sir.

Senator CRERAR: I do think, Mr. Chairman, that further consideration by the committee should be given to this. The expenditures within a department are fictitious, or rather incomplete expenditures, and as the mechanism of government has become so all-embracing and so wide, I think it is highly

desirable that parliament and the public should be able to get what the full expenditures in any department are. This is a very important question. I might even go so far as to require that every department should submit a balance sheet of its expenditures, just the same as the Finance department present a balance sheet once a year, covering the whole fiscal operation of the Government.

The CHAIRMAN: I think the question you are proposing is a matter of policy.

Senator CRERAR: Oh, quite.

The CHAIRMAN: On the other hand, one of the reasons the Committee met was to clarify some of the evidence we have already had, and that was one thing we were all concerned about, this question you brought out. I think it would be quite proper to ask General Young if he could see any particular difficulties in the way, which would be administrative question. I will permit that question, if you ask it in that way.

General YOUNG: I see no administrative difficulty for us in assessing rentals to each department. A concrete example is illustrated in this way. If we constructed a federal building, then we would state what the rental was, and if each department carried its own estimates, the cost of that rental in our federal public building would present no great difficulty.

Senator GOLDING: Mr. Chairman, did we not have a summary of estimates of what the rentals would amount to? Was that not given to us at an earlier meeting of the committee?

The CHAIRMAN: I think a summary of the cost of the services the Department of Public Works rendered was given.

Senator GOLDING: Particularly with regard to the Post Office?

The CHAIRMAN: That was the Post Office Department only.

Senator GOLDING: That is right.

The CHAIRMAN: I think it amounted to about \$13 million, if my memory serves me correctly.

Senator McDONALD: It seems to me that Senators Molson and Crerar have suggested ideals to work towards which we should keep in mind.

The CHAIRMAN: Any further questions? I think Senator Aseltine was concerned about the gross national product, at one of the earlier meetings, when we had before us a representative from the Bureau of Statistics. I mention this, because Senator Aseltine was not able to be here at the meeting when that representative was here.

Senator ASELTINE: I was just reading this brief. I was wondering about the grain on hand on the farms. At the present time, or at the end of last year, we had several hundreds of millions of bushels in storage. Was that included in the gross national product?

The CHAIRMAN: General Young, of course, is not the man who dealt with that, but I would like to make a comment, if no further questions are to be asked of General Young. In connection with that, we had before us last Thursday four or five representatives from the Bureau of Statistics, and I do not think we were altogether satisfied that there was sufficient explanation given to the committee on just how they arrived at that gross national product and the net national income, and the difference between the two. I had planned to have Mr. Marshall from the Bureau of Statistics here today, but he is absent from the country. Is it the wish of the committee that we have Mr. Marshall here at a later date?

Senator ASELTINE: I think so. I would like to ask him quite a few questions along those lines.



Senator BARBOUR: There has been some talk in the Commons and in the legislature of Prince Edward Island about a causeway to link Prince Edward Island to another province. I would like to ask General Young if he has been asked the cost of such a causeway?

General YOUNG: Yes. We have had a submission from the Premier of Prince Edward Island, and we are now making a preliminary study of the project. One of the important factors with respect to that project will be acquisition of rock. The economics carry or fall on the cost of rock, and we will be giving some preliminary study to the question of rock availability. In addition to the rock, of course, there has to be a study of the currents, and the effect of tides, and so on.

Senator BARBOUR: If the causeway should be built there, would it be built by the Department of Transport or the Department of Public Works?

General YOUNG: I think it should be Public Works, but I cannot really say.

Senator CRERAR: General Young, can you tell us anything about the progress of the Canso causeway?

Senator ASELTINE: There has been some progress along the lines I suggested in 1952, has there not?

The CHAIRMAN: I would say from the evidence this morning that progress has been quite encouraging.

Senator ASELTINE: I am pleased to know that the department has taken some of the suggestions offered by our committee.

The CHAIRMAN: Does anyone else wish to question General Young? A question arose concerning the procedure in remote areas. It will be remembered that there was quite a discussion here on that point, and the answer was that it was easier for that department to do it rather than Public Works, if somebody wanted to build in a remote area. There was also a question from Senator Smith, as I recall, that there were two departments doing the work on one site recently in his constituency.

General YOUNG: I think we have made considerable progress in that regard too. It was common practice in many of the remote areas of the Northwest Territories and the Yukon to have two or three departments all working on construction. Competition and local labour entered into it. Two years ago we instituted a building construction committee; it is a sub-committee of the advisory committee on northern development, and I am chairman of the committee. In the fall of the year, approximately November, when the estimates are being prepared, I assemble a meeting of the senior construction representatives of all Government departments that have any interest in the north, and there we pool or list every project down to the small building, from large buildings, schools and hospitals, for all the various centres in the Northwest Territories and the Yukon. After the estimates have been approved, in the spring—normally, as soon as the estimates have been approved by Treasury Board—we hold another meeting and we allocate on a big sheet of about seven or eight pages all projects, the responsibility of each department. Take Aklavik, for instance. There may be four or five departments wanting construction. We appoint one department. Normally, all things being equal, Public Works takes it on. We come to another, where Defence have a big project on; there are two or three small projects; they are handed over to Defence to build, maybe Northern Affairs, maybe Transport. Another may be a big airplane base, non-service; there, again, there is construction for several departments, and we allocate the responsibility to the Department of Transport. So now, in all the northern remote areas, normally Public Works, Transport or Defence are responsible for all construction that



goes on in the centre. That arrangement works very well. We put it into effect last summer and we hope it will be even better in the coming year. It is not yet perfect by any means.

The CHAIRMAN: That is a pretty fair picture of what you are trying to do. We will see later what has been accomplished. Any further questions?

Senator HAIG: I think we can thank General Young for coming here, and thank him very much for the way he has explained these things to us.

The CHAIRMAN: I most heartily concur in that. General Young, I want to carry that appreciation to you.

I think that is all we have for today. We are rather stymied. But I was not too sure if General Young's presentation and the discussion would take the full session.

As to the next meeting, for Thursday, May 10, I have asked the Honourable Mr. Gregg to come here, with reference particularly to the Annuities Branch of the department; and at 11.15 I have asked the Hon. Walter Harris to come and be prepared to discuss with you the superannuation fund of the Civil Service. I hope there will be a good attendance, and that the members will be prepared to ask what questions they think are necessary.

Senator ASELTINE: Annuities are still under the Department of Labour, are they?

The CHAIRMAN: Yes.

Senator CRERAR: I suggest that in the matter of annuities it would be useful to the committee if the department could prepare a statement showing the cost of this scheme from the beginning, including the total expense of administration, and the amount that has been paid into the fund to keep it solvent. I know that these amounts are substantial, although at the moment I am not sure what they are. Such a statement would be very interesting. The expense of the Annuities Branch, according to the estimates, and exclusive of any rental for the space it occupies, is well over a million dollars a year. I think we ought to get the details of what this service has been costing the country, and what it is costing today.

The CHAIRMAN: I have indicated that these will be some of the matters that will come up, but I will have another communication go to the department or to the Minister.

Senator CRERAR: The information could easily be put together.

The CHAIRMAN: Or at least I will draw to the attention of the Minister what the minutes show in connection with the questions you ask.

Senator TURGEON: If the statement could be sent to us in advance it would be helpful.

The CHAIRMAN: I will ask the department if that can be done, and will suggest that they do it.

Senator HOWDEN: We can't read the statement and listen to the witnesses at the same time.

Senator CRERAR: It would be a good thing to have the same information as it affects the superannuation branch. I think we have kicked in large amounts to maintain the solvency of the superannuation fund.

Senator GOLDING: One reason for the present position of the fund is that at the beginning the Government received these lump sums but did not keep up its payments.

The CHAIRMAN: I purposely asked the Hon. Mr. Gregg to come first, and intimated to him or to his secretary as near as I could what I thought would be asked of him.

—The committee adjourned.

## APPENDIX D

## Statement for Senate Finance Committee

## DEFINITION OF GROSS NATIONAL PRODUCT AND EXPENDITURE

Prepared by Research and Development Division

Dominion Bureau of Statistics

April 29, 1956

The pivot of national accounting is the measurement of the nation's output during a period of time. The question arises "What is output?"

All newly-produced goods and services of the market economy, that is, which are bought and sold for money, are included in the term "output", as used in contemporary national accounting terminology. In a number of cases, however, the definition is broadened to include production for which there is no corresponding money flow, involving "imputation" of income and expenditure. The main categories included in this class are farm production consumed on the farm, imputed rents of owner-occupied houses, board and living allowances received in kind by employees and certain transactions of financial intermediaries. All these imputations have a counterpart in the market economy which provides a reasonable basis for their valuation. Thus, farm production consumed on the farm is valued at prices for which it could otherwise be sold by the farmer; rents of owner-occupied houses are based on comparable paid rentals; income in kind received by employees is valued at cost to the employer. Since only output currently produced is measured, capital gains and losses are excluded; these do not represent a return for the current use of economic resources. Production represented by increases in inventories is included. Changes in stocks of grain held on the farm are valued at initial prices, and adjusted for feed, seed and wastage allowances.

In the earlier stages of national income development in Canada measurement of output was not only the pivot but the almost exclusive focus of the statistician's attention. Thus, attempts were made to measure the nation's output by subtracting certain outlays from estimates of gross production of goods and services. A little later, the nation's output was identified with various concepts of national income. Although in the more advanced stages of national income measurement, this total was distributed by industry, by province, and even by factor shares, main emphasis was still put on single overall aggregates of economic activity.

A new departure in national accounting began in Canada in 1944, in line with similar developments in the United States and the United Kingdom. The new departure consisted in a shift of emphasis from measurement of single aggregates to construction of interrelated summaries of the constituent transactions.

Measurement of total output remains still a primary target; but the task is accomplished, not by direct assault, but through an encircling movement which brings into view the setting from which output of different size and composition emerges.

The basis of the new approach is simply the fact that underlying production and distribution of goods and services is a network of transactions; and the realization that if these transactions can be combined and summarized into classes having economic significance a great deal of valuable information on the functioning of the economy is produced. Further, since there are two sides to all transactions—expenditure of one group is matched by corresponding receipts of another group—it should be possible to construct an accounting system for the economy which portrays flows of money between the major groups in the economy.

These considerations lead to the following procedures: to begin with, we set ourselves the task of measuring, in terms of current dollars, and without duplication, the market value of goods and services produced in a given period, say a year, by Canadian factors of production. In line with the two-sidedness of transactions, this task can be accomplished in two different ways. One way is to add together all costs arising in the production of goods and services. For the economy as a whole, these costs consist first of factor costs: that is to say, the earnings of the factors of production; wages and salaries, profits, interest, net rent and net income of unincorporated business. The sum of these factor costs is the *Net National Income*. To arrive at the total which measures production at market prices, it is necessary to add non-factor costs, i.e., depreciation allowances and similar business costs, as well as indirect taxes less subsidies. This total is called the *Gross National Product*.

Another way of measuring the market value of goods and services produced by Canadian factors, without duplication, is to add together all final sales made in this period, adjusted for changes in inventories. For what is produced must be disposed of, either by sales or addition to inventories. Four significant types of sales can be readily distinguished: sales to consumers, sales to governments, sales to business on capital account (gross domestic investment) and sales to non-residents (exports). Since total sales include the value of imported goods and services and since the purpose here is to measure only production of Canadian factors, imports of goods and services are deducted from the grand total of sales.

It bears emphasis that only final sales are counted in this enumeration. All sales to consumers (personal expenditure on consumer goods and services), to governments (government expenditure on goods and services) and exports (of goods and services) during the year are automatically counted as final. Sales to business are treated as final only if they remain within the business sector at the end of the period under consideration—as capital formation, that is, investment in construction and equipment or inventories. Inter-business sales of commodities and services which are resold to persons, governments, or non-residents, are not counted separately since they are automatically included already at the point of purchase in these three sectors. In this manner, double-counting is avoided.

Since they measure the same thing—output of goods and services—Gross National Product and Gross National Expenditure must add up to the same total. If all enterprises and other economic units in the economy were to publish accurate accounts on a uniform basis, the two statistical totals would in fact be equal. These conditions are not fulfilled in practice. National Accounts must summarize transactions of enterprises that do not keep accurate accounts on the same basis, together with transactions of households, farms and small concerns, many of which do not keep accounts at all. For these reasons, some discrepancy between the two totals is inevitable, but considering the overall magnitude involved it is interesting to note how close a balance is in fact achieved.



## Taxation in Canada, the U.S. and the U.K.

1954

(All levels of government)

<i>Taxes</i> <sup>1</sup>	Canada Can. \$ million	U.S. U.S. \$ million	U.K. £ million
Direct Personal Taxes .....	1,426	32,800	1,397
Direct Corporation Taxes .....	1,164	17,100	1,001
Indirect Taxes .....	3,001	30,300	2,476
Social Insurance Contributions .....	395	9,600	532
<b>Total Taxes .....</b>	<b>5,986<sup>2</sup></b>	<b>89,800</b>	<b>5,406</b>
<i>Percentage Distribution of Taxes</i>			
Direct Personal Taxes .....	23·8	36·5	25·8
Direct Corporation Taxes .....	19·5	19·0	18·5
Indirect Taxes .....	50·1	33·8	45·8
Social Insurance Contributions .....	6·6	10·7	9·9
<b>Total Taxes .....</b>	<b>100·0%</b>	<b>100·0%</b>	<b>100·0%</b>
<i>Gross National Product at</i>			
<i>Market Prices</i> <sup>3</sup> .....	24,148	360,700	17,843
<i>Taxes as a Percentage of Gross</i>			
<i>National Product at Market Prices</i>			
Direct Personal Taxes .....	5·9	9·1	7·8
Direct Corporation Taxes .....	4·8	4·7	5·6
Indirect Taxes .....	12·5	8·4	13·9
Social Insurance Contributions .....	1·6	2·7	3·0
<b>Total Taxes .....</b>	<b>24·8</b>	<b>24·9</b>	<b>30·3</b>

<sup>1</sup> Direct personal taxes are on a collection basis, while direct corporation taxes are on a liability basis.

<sup>2</sup> Excludes \$58 million of withholding taxes in 1954 on dividends and interest paid to non-residents. The income on which such taxes are levied is not included in Canada's G.N.P.

<sup>3</sup> The U.S. and U.K. G.N.P. has been adjusted to conform to the same concepts as the Canadian G.N.P.

*Sources—Canada* "National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual 1955", D.B.S.  
*U.S.* "Survey of Current Business, February 1956", U.S. Department of Commerce.  
*U.K.* "National Income and Expenditure, 1955", Central Statistical Office.

Total Taxes (Direct and Indirect) as a percent  
of Gross National Product at Market Prices

(all levels of government)

	Canada per cent	U.S. per cent	U.K. per cent
1929 .....	13·4	10·8	n.a.
1938 .....	18·0	20·6	21·0
1945 .....	23·7	24·8	n.a.
1946 .....	25·8	23·7	34·5
1947 .....	25·1	23·8	34·5
1948 .....	22·9	22·8	35·6
1949 .....	22·3	22·1	34·5
1950 .....	22·3	23·8	32·8
1951 .....	25·1	25·9	34·4
1952 .....	25·3	26·4	32·5
1953 .....	24·8	26·2	31·0
1954 .....	24·8	24·9	30·3
1955 .....	24·5	25·6	n.a.





Canada, Finance, Standing Committee,  
on (Senate), 1956

CAI YC 13-N14 1956

THE SENATE OF CANADA



Government  
Publications

*[Handwritten signatures and initials]*

PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON

**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957

No. 7

*[Handwritten "LIBRARY" and "OFFICE OF THE CLERK OF PARLIAMENT"]*

THURSDAY, MAY 10, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES:

- The Honourable Milton F. Gregg, Minister of Labour.
- Mr. C. R. McCord, Director, Annuities Branch, Department of Labour.
- The Honourable Walter E. Harris, Minister of Finance.
- Mr. J. J. Deutsch, Secretary to the Treasury Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956

## STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

### The Honourable Senators .

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly ( <i>Halifax</i>	Howden	Smith
<i>North</i> )	Isnor	Stambaugh
Connolly ( <i>Ottawa West</i> )	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

\* Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MacNeill,  
*Clerk of the Senate.*





## MINUTES OF PROCEEDINGS

THURSDAY, May 10, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:*—The Honourable Senators Hawkins, Chairman; Aseltine, Barbour, Burchill, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Gershaw, Golding, Haig, Howden, Isnor, Leonard, Molson, Reid, Taylor, Turgeon, Vien and Woodrow—19.

*In attendance:*—The official Reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following were heard:—

The Honourable Milton F. Gregg, Minister of Labour.

Mr. C. R. McCord, Director, Annuities Branch, Department of Labour.

The Honourable Walter E. Harris, Minister of Finance.

Mr. J. J. Deutsch, Secretary to the Treasury Board.

At 12.15 p.m. the Committee adjourned until Thursday next, May 17, 1956, at 10.30 a.m.

Attest.

John A. Hinds,  
*Assistant Chief Clerk of Committees.*



## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 10, 1956.

### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum. I will ask you to come to order. We have with us this morning Honourable Milton F. Gregg, V.C., Minister of Labour, and as you can easily imagine Mr. Gregg is a very busy man. He is rather anxious to get through this morning by 11.15, but he has indicated that he will be very happy to come back at any time we would require him for cross-examination or further discussion. I indicated to Mr. Gregg what the line of questioning would be today and I think he has a prepared statement.

Hon. M. F. GREGG (*Minister of Labour*): Mr. Chairman, I am very happy indeed to have this opportunity of appearing before your committee. I had only one opportunity, since I have been a member of cabinet, to appear before a Senate Committee, and I remember it with a great deal of pleasure.

It has been indicated to me by you, Mr. Chairman, that you would like to discuss the matter of Government annuities, and with that advance knowledge I have done the usual thing that cabinet ministers do, namely, get together a manuscript, covering some things that have been said on other occasions and at other places. I am now entirely in your hands, sir, as to whether you would like me to read my prepared manuscript.

The CHAIRMAN: I think it would be the wish of the committee to have you read your statement first, and then the meeting will be open for questions.

Hon. Mr. GREGG: Then I will not elaborate on my statement as I go along, but will make whatever explanation that is necessary later.

As you know, annuities are administered by a branch of the Department of Labour; it was not always so, but came about a few years ago for special reasons.

The statute under which the Annuities Branch operates was enacted in 1908 and cited as "The Government Annuities Act, 1908". The preamble to the Act reads as follows:—

Whereas it is in the public interest that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects; therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows—

And the Act follows.

From the beginning, the advocates of this activity on the part of the Government urged that aggressive steps be taken to publicize the availability



of these contracts. In the early years a number of instructors or lecturers were employed on a full-time basis to visit different parts of the country for this purpose. Various other methods of advertising were used. Leaflets and booklets were distributed and articles were carried by Government publications and newspapers. The employment of soliciting agents was considered even in the Parliamentary Debate before the passage of the Act but the Branch had no field representatives until about 1927. At that time efforts to publicize Government Annuities were intensified and the compensation of full-time agents on a commission basis was begun. The number of contracts traceable to efforts of agents has increased over the years and now approximately 90% of all contracts issued are credited to the efforts of agents.

The Parliamentary Committee on Old Age Security, on whose recommendation the Government enacted the Old Age Security Act providing for universal old age pensions, included the following in their unanimous recommendation:—

Mr. Chairman, I know that honorable senators will scan this part closely because in the absence of any other mandate on the record we in the Department of Labour feel that this one, which is the last recorded one, stands as the unanimous will of Parliament, and our actions have been guided very closely to the terms of this paragraph I will now read. That resolution was this:—

It is also important that the provision of basic Old Age Security should do nothing to weaken the incentive of the individual to provide through personal saving for his old age. Moreover, every facility should be offered to make it possible for the individual to make regular contributions for this purpose. The committee reviewed the operations of Government Annuities and believes that their purchase should be encouraged and that the merits of this particular form of saving should be made more widely known by a suitable campaign of advertising and by other methods designed to facilitate their purchase.

As of March 31, 1955, there were in force and under administration by the Annuities Branch 159,532 individual contracts and 190,129 certificates under 966 group contracts, a total of 349,661 contracts and certificates; payment of annuity is being made under 68,130 of these contracts and certificates.

The Annuities Fund as at the end of March 1955 was \$864,543,038.00 and the net receipts for the year were \$68,594,250.00.

Two classes of contracts for the purchase of annuities are authorized under the Act:

- (a) Contracts entered into by an individual for the purchase of an annuity for the life of one person or two persons jointly,
- (b) Contracts entered into with an employer for the purchase of annuities for employees of the employer registered under the contract.

The individual contracts are of two types:—

1. *Immediate Annuities*, purchased with single sums for which annuitants receive periodic payments commencing at once.

2. *Deferred Annuities*, purchased with either single sums or several sums paid over a period of time for which annuitants receive periodic payments commencing at a future date in amounts calculated on the value of the purchase payments made, accumulated at interest to the date when the annuity payments begin.

Group Contracts may be entered into with employers to give effect to approved employee retirement pension plans, and these would fall into the category of deferred annuities in that they are purchased with the idea of the annuity commencing at a date in the future when the employee retires.

With the enactment of the Old Age Security Law, the Annuities Branch took the necessary steps to provide annuities that would reduce by \$40.00 a month at age 70. The cost of such reducing annuities is correspondingly lower than the cost of ordinary uniform annuities. Immediate annuities are available on this basis. New contracts for deferred annuities offer the option, at maturity date, of taking an adjusted annuity reducing by the amount of Old Age Security payments. Authority was secured to offer the option under old contracts as they mature. Provision is made, also for temporary annuities of not more than \$40.00 a month to age 70, to help stretch limited resources to the point where Old Age Security payments commence.

In 1913 the maximum annuity purchasable was changed from \$600 to \$1,000, and in 1920 to become \$5,000. In 1931 it was reduced to \$1,200 and the maximum has continued in that amount since.

Until 1925, the minimum annuity purchasable was \$50 a year, at which time the minimum was reduced to \$10 a year and has continued in that amount since.

The rate of interest at which rates for annuities are calculated was 4% to 1948; 3% April 19, 1948 to March 31, 1952; and 3½% from April 1, 1952, to the present time.

The interest rate is established by regulation under the Act and as a matter of Government policy is based as nearly as practicable on the average return yielded by Government of Canada long term Bonds.

The mortality tables at present in use are the British Annuity Tables contained in "The Mortality of Annuitants, 1900-1920" published by the Institute of Actuaries and the Faculty of Actuaries in Scotland, known as the "a(f) and a(m) Tables", with reduction of three years of age. Mortality tables were last revised in 1948 but in accordance with an established policy a further study has just been completed and is presently being examined. The practice is to conduct these studies every five years.

Each year the Government Annuities Fund Statement includes an item "Amount Transferred to Maintain Reserve". In the main this results from contracts entered into prior to the rate changes in 1936 and 1948 and maturing within the current year. The valuation basis has been to carry the deferred contracts as a liability, being premiums plus interest, which at maturity is equal to the liability of the vested annuity should the authorized rates at issue and at maturity be similar. In the case of deferred contracts issued prior to 1948 and currently maturing, the accumulated value of premiums is less than the amount calculated to maintain the reserve. In time all of these contracts will have matured and any further deficiencies will depend upon the mortality basis then adopted as appropriate.

The administration costs of the Annuities Branch for the fiscal year 1954-55 is 1.68% of the net premium income for that year. Included in this figure is the estimated rental value of office accommodation in public buildings and leased premises provided by the Department of Public Works, value of postage and cost of issuing and mailing of approximately 700,000 annuity cheques in the year. The costs of these services do not appear in the expenditure of the Department of Labour, but do, nevertheless, represent a cost to the Government in connection with Government annuities.

On the same basis the administration costs for the previous four fiscal years were:

1950-51 .....	1.49%
1951-52 .....	1.59%
1952-53 .....	1.66%
1953-54 .....	1.59%

of premium income.

In relation to the total Fund, or assets if you will, the cost of administration is but a fraction of 1%. For example, for the fiscal year 1954-55 the administration cost as a percentage of the total Fund was .117%.

The Annuities Branch consists of six divisions and is located in No. 5 Temporary Building, Preston St. and Carling Avenue. These divisions are: Group, Actuarial, Individual Contracts, Accounts, Sales and Administrative Service and Legal.

There is a staff of 174. This is a reduction of 38 since 1949-50 even though there has been an increase in the volume of work. The reduction in staff was possible through the development of improved procedures. Contracts and certificates under administration are 100,000 or approximately one-third more in number than in 1949-50 and there are 30,000 more cheques being sent out each month, or double the number in 1949-50.

The total expenditure for administration of the Annuities Act from 1908 to the end of the fiscal year 1954-55 amounts to \$11,101,521.54 and the total amount transferred during the period to maintain the reserve is \$31,368,689.60.

With respect to the amount transferred each year to maintain the reserve, this is affected by the number of contracts maturing during the year, the premium rates at which these contracts were sold, and the general mortality experience during the fiscal year. Consequently, the amount to be transferred varies from year to year. For example, last fiscal year the amount transferred was \$371,000.00 but it would appear from preliminary figures that no transfer will be required for 1955-56. In fact a small surplus is indicated.

The transfers to maintain the reserve are in connection with contracts sold prior to 1948 under which the annuitants are living longer than the rates provided for.

Mr. Chairman, that is the end of the story at the moment.

The CHAIRMAN: Honourable senators, it would be in order to ask questions now.

Senator CRERAR: Mr. Gregg, one thing that bothers me, and I think some other members of the committee, is that the Government here is engaged in a service that had much to commend it when it was first introduced almost fifty years ago, but this service is rather unnecessary now because of the fact there are many other avenues available to people who wish to buy annuities. Frankly, the question is should the Government be in a business that is costing the taxpayers substantially each year when the service it is giving is available to people through other avenues?

Your report indicates, for instance, that since the inauguration of government annuities in 1908 the administration costs have been over \$11 million. That does not wholly reflect the administration costs either, for the \$11 million does not include anything for rent, postage and items of this kind which in the normal business would be charges that would have to be made. In addition to that, you have had to subsidize the annuities fund to keep it solvent to the extent of over \$31 million over this period. Even last year you found it necessary to take in \$371,000 to keep it solvent. Now, it does seem to me at this time of stress and strain, when taxation is undeniably heavy in this country, that it requires a considerable stretch of the imagination to justify the continuation of this branch that appears to be endeavouring to expand its activities as much as possible. For instance, the largest item for \$1,071,000 is, of course, for salaries and wages, which is \$477,000 odd. But you pay commissions to agents of \$330,000; that is your estimate for that. Then in order that you may as energetically as possible carry on this branch, which is costing the taxpayers money every year, you spend, or propose to spend, \$110,000 in publicity—in other words, in trying to interest people to buy the annuities from the department, which is costing the taxpayers, on a very conservative



estimate, well over \$1 million a year. Now, Mr. Gregg, I do think it is very difficult in these times to justify the continuation of this service. It is not as if people could not get it elsewhere, for they can. At the time this service was inaugurated in 1881, there was a great deal to justify the Government going into the sale of annuities to encourage savings and perhaps to induce people to make some provision against the needs of old age, but those needs have long since disappeared, and I for one do think that this branch should be cleaned up. I realize that for a time, perhaps for several years, some sort of staff will have to be carried on to liquidate it, that is, to pay out the annuities that may run over a long period of time, unless some arrangement could be made to do that otherwise, that if that were done that part of it would very easily be transferred to the Department of Finance.

Now, that briefly is the outline of my views on the matter. I am quite sure the Minister knows more than anyone of us around the table that we do not want unnecessarily to burden the taxpayers of Canada, but that in effect is what we are doing, and I am bound to say that we in latter years have developed rather free and easy approaches to the spending of public money, and as far as I am concerned, Mr. Gregg, I do not like it.

Hon. Mr. G8577: Well, Mr. Chairman, I notice Senator Crerar is about to leave. About the only serious objection I have to make to what he has said is the statement that the Department is pushing these annuities as aggressively as possible. We certainly are not doing that.

Senator CRERAR: I am sure I did not say as aggressively as possible. I think I said that you are spending \$110,000 in publicity.

Hon. Mr. GREGG: Which for a business of this kind is our interpretation—

Senator CRERAR: What would happen if you did not spend anything on publicity at all?

Hon. Mr. GREGG: Well, one thing that would happen, I think, is that we would be violating the last express wish of parliament, including the Senate.

Senator CRERAR: You are referring to the pensions' committee?

Hon. Mr. GREGG: The unanimous report of parliament. I take parliament very seriously, sir.

Senator CRERAR: I have always taken the report of that committee with a very liberal grain of salt.

Hon. Mr. GREGG: But Mr. Chairman the report of that committee was received—

Senator HAIG: What year did the committee report?

Hon. Mr. GREGG: 1950. It was the father and mother of old age pensions; this is completely knit into the problem of old age security, and was discussed as a part of it. If the Department of Labour in this year 1956 had no annuities branch, and it were suggested to me as Minister of Labour that we should have such a branch for the purpose of encouraging thrift, I would of course tell such a person to go over and see the Minister of Finance. But, Mr. Chairman, the Parliament of Canada expressed its will then, and has expressed it down through the years since. I read the *Hansard* on this subject through the time when you, Senator Crerar, and others around this table were members of the government; it has continued to be the expressed wishes of the various governments of Canada, that this should continue, and they outlined as their expression of guidance this resolution.

Now the question arises as to what is to be done: Should we liquidate at once and sell out to the insurance companies or, as has been suggested, should we allow it to peter out over a period of perhaps forty years, to retain under the Department of Finance or the Department of Labour a liquidating service, which is going to cost the taxpayer something.



Senator HAIG: Let me interrupt you, Mr. Gregg. Why was the act passed originally?

Hon. Mr. GREGG: It was passed in accordance with the opinion of the P.M., which I read.

Senator HAIG: What did the Postmaster General of that day, Mr. Mulock, give as his reason for introducing the measure?

Hon. Mr. GREGG: I can't give you it word for word, but it was built around the expression "for the encouragement of thrift as a guard against old age."

Senator HAIG: Because there was very little annuity or old age pension business in those days.

Hon. Mr. GREGG: There was no old age pension.

Senator HAIG: And labour had very little promise of superannuation at the age of 65 or indeed at any age. It was to give those people some support, is that not so?

Hon. Mr. GREGG: That is true.

Senator HAIG: That is why it was put in.

Hon. Mr. GREGG: Yes.

Senator HAIG: Why should five or six professors at a college in Toronto or elsewhere say they are applying for \$1,200 annuity, and want you to double the amount? Why do they want you to do that? They can go to an insurance company and get another \$1,200.

Hon. Mr. GREGG: I can't speak for them, but I can speak for the government and say that it does not propose to double the amount.

Senator HAIG: Why? If \$1,200 is a good thing, is not \$2,400 a better thing?

Hon. Mr. GREGG: If we are to conform with this principle, for the encouragement of thrift, which is implied in the speeches, for the benefit of the low wage earner, he can't afford . . .

Senator HAIG: But he is not the fellow who is buying annuities now.

Hon. Mr. GREGG: Under the company pension plans a great many are bought. Perhaps there is not the large proportion of persons who buy individual annuities for themselves, but as I say, under the company pension plans it has become part of business, and is the only reason for this branch being placed under the Department of Labour.

Senator HAIG: I suggest to you that the biggest sales today are made to school boards, municipalities and business men—people who can buy annuities more advantageously than they can invest their money elsewhere. Take for instance the school board of Winnipeg: About ten years ago it purchased annuities for half the amount of its superannuation needs. Why did it do that? Just because it was cheaper for them to buy annuities than to handle the superannuation by other means; of course, the government was handling its annuities at a loss. May I ask you, why you cut down the commission to agents in 1937?

Hon. Mr. GREGG: I was not here in 1937.

Senator HAIG: But your records would show. I say the reason was because the agents were making too much money. I know a man in Winnipeg who was given a job by Mr. Bennett in 1932 to sell government annuities, and by 1935 he was making \$15,000 a year.

Hon. Mr. GREGG: No, not in 1935.

Senator HAIG: Perhaps it was 1931 or 1932.

Hon. Mr. GREGG: 1932 was I think the date of the changeover.

Senator HAIG: He sold annuities worth \$5,000 and \$6,000 to rich people, not to the poor man; it is not the poor man who is buying government annuities today.

Hon. Mr. GREGG: That of course is not happening now, Mr. Chairman. At that time, I think it only fair to state the record would indicate that when it was on a \$5,000 basis shortly after the First World War. The motive was not to encourage thrift in the raising of that figure, but rather because the government wanted some money and this seemed a good method of getting it. But that is not a factor today.

Senator HACKETT: Is it not a fact that at their inception they were self-sustaining, but they have become beneficial and burdensome upon the taxpayer as time went on?

Hon. Mr. GREGG: No. From the beginning the administrative costs have been paid by the taxpayer. What has been referred to as the stabilization of the fund, or the drawing upon the taxpayer's money for that purpose, came about when the annuities began to mature in large numbers because the medical profession enabled people to live longer than was expected at the time the annuities were sold. That situation called for the stabilization of the fund to a degree that was not anticipated by the actuaries at the beginning.

Senator HACKETT: Are you quite certain that at the inception the burden was to be borne out of taxes?

Hon. Mr. GREGG: Costs of administration, from the inception down to the present day.

Senator HAIG: You sell the annuities now to earn 4 per cent?

Hon. Mr. GREGG:  $3\frac{1}{2}$  per cent.

Senator HAIG: That is what you sell at now, but up until recently it was 4 per cent?

Hon. Mr. GREGG: Up until the change took place, yes.

Senator HAIG: In addition to that, you paid the cost of management.

Hon. Mr. GREGG: The cost of administration.

Senator HAIG: At the time you were paying 4 per cent people were getting 3 per cent on their government bonds.

Hon. Mr. GREGG: No, not for a long term; at least, if they were the Finance Department officials were wrong, because the policy has been adopted with a view to not changing this interest rate too frequently. You will see how difficult it would be to administer the fund if the interest rate changed frequently. Over the long term the Department of Finance has advised us as to the times when we should change the interest rate, trying not to do it too often.

Senator HAIG: I suggest to you that you were selling annuities to earn 4 per cent at a time when I could buy government bonds bearing 3 per cent. You were paying one per cent more than the government was getting for its bonds. Secondly, you sold it on an annuity table that was then out of date. Of course, it is not used now—you have changed it; but until a few years ago, you sold annuities that were supposed to mature at 70 and the men and women who had them lived until 75. There was no arrangement to meet that situation, and that is what is costing us the money. For instance, I have given my children government annuities which I bought back in 1930; the reason I did that was because I could get more interest on them than on any other investment.

Senator REID: Mr. Chairman, I think there is one point that should not be overlooked today. When the Act was put into effect there was no old age

security plan and it was a very laudable piece of legislation, but of late years employers are beginning to take advantage of the low rates. I am sure it was never intended, taking into consideration the terms of the old age security payments, that employers would come in under the Annuities Act and take advantage of the people of Canada by taking up contracts for groups of their employees. There are 190,129 certificates under group contracts compared to 159,532 individual contracts. I think that fact stands out very clearly to those who have given any study to it at all. The early aspect of this legislation has changed. Employers are now making provision under this Act for the retirement of their employees, coming to the Canadian government and putting their employees under this scheme. I also notice something that is rather striking. Until the year 1925 the minimum annuity purchasable was one for \$50 a year, but the minimum now is \$10 per year. Surely you are not issuing any annuities for \$10 a year. \$10 a year would be nothing at all today considering the buying power of the dollar. How many contracts have been issued for \$10 up to \$50 a year? Surely there are no people so poor that they can only pay for a \$10 a year annuity.

Hon. Mr. GREGG: Perhaps Mr. McCord could comment on that.

Mr. C. R. MCCORD (*Director, Annuities Branch, Department of Labour*): Mr. Chairman, in the matter of the \$10 annuity, that was a minimum one which could be paid. There would be cases where people would pay some money into the fund and then discontinue payments on the contract, and when it came time for that annuity to mature, to put the department in a position where they could refund that money and call it no contract this minimum was set. Otherwise a contract would have to be issued for a small amount, maybe \$8 or \$9, which would incur a considerable administration cost. That minimum was established purely to get rid of these very small nuisance amounts that might be in the accounts. Originally the minimum was \$50 but it was felt that there might have been some people who would actually want \$50 a year.

Senator REID: How many contracts are there in force from \$50 up?

Mr. MCCORD: I am sure I do not know, sir. I can tell you that of the 68,000 annuitants collecting annuities at this time approximately 24,000 are for \$300 or less.

Senator John J. CONNOLLY: What happens, Mr. Chairman, when the amount paid in would produce an annuity of \$10. Is the balance cancelled?

Hon. Mr. GREGG: It is refunded, that is to say anything producing an annuity under \$10 a year is refunded, but any amount over a \$10 a year annuity is not refunded, and that is a disadvantage, if it is a disadvantage, on Government annuities compared to annuities issued by private companies. You cannot pay a refund on a Government annuity.

Senator HAIG: Suppose that I contracted for an annuity 30 years ago and paid the first payment and did not pay any more on the contract until I just about reached the age 60. Could I then pay up all the arrears with interest and have the original contract stand?

Mr. MCCORD: On those contracts issued prior to 1948, yes.

Senator HAIG: Yes, the examples I am giving were contracted before 1948. You say I can pay up and get the benefit under the original contract?

Mr. MCCORD: That is right.

Senator ISNOR: Mr. Chairman, I differ somewhat with the thoughts just expressed by one or two of the senators. Like them I have been critical in the past as to the net return to the Government or in other words the cost to the people of Canada in regard to the administration cost, but when you remember



the object as stated in the first page of the brief read this morning, to encourage thrift, and the class of person to whom this legislation was directed, I think the background of this is good and I cannot agree with Senator Haig in respect to the earnings of salesmen who go out and sell these contracts. In fact, it might tend to cut down the overhead if you were to have more salesmen selling these contracts. In fact, this is one of the criticisms, that they are not enterprising enough in going out and selling these contracts. It is the principle however, that I am talking about, of having salesmen go out more aggressively and sell annuities. I would suggest that the \$110,000 you are spending at the present time in advertising might be increased, and if you were to increase that it would add largely to your gross revenue and that would certainly have the effect of cutting down your overhead. That is ordinary business practice. I think if the policy was altered along that line, that these contracts were more largely publicized, the same as is done by the Government when they have a campaign or bond selling, that would be a good move.

I particularly had in mind asking the minister whether he has figures which would show the amount of group insurance sold to firms who enter into contracts with labour organizations, with the employers paying a portion and the employees also paying a portion. Have you any figures that would give that information?

Hon. Mr. GREGG: You mean to compare the amount sold by the department to individuals and to firms?

Senator ISNOR: First by the Government through your department and secondly, the total sold by individual insurance companies.

Senator LEONARD: Mr. Chairman, may I ask the minister the meaning of the words in his statement dealing with "a(f) and a(m) Tables, with reduction of three years of age. Does that mean the rates are calculated as if the annuitants would live three years less than the tables would indicate?

Mr. McCORD: Three years less than actual age.

Senator LEONARD: Which is really an extension of the longevity by three years?

Mr. McCORD: That is right.

Senator LEONARD: Has the department made any attempt to calculate the amount required to put the fund on a sound basis with respect to the nature of maturity contracts where they were based on tables that are now out of date?

Hon. Mr. GREGG: That was indicated in the statement. Last year the estimate of some past year went wrong and there was an amount necessary to bring the fund, on account of the payments that had to be made, up to the point where it was considered it should be. This year we are hoping that for the first time for some time that that will not be necessary, and I think it is the hope of the branch that if there is a necessity for a stabilization fund in the years immediately ahead that it will be very small. Is that right Mr. McCORD?

Mr. McCORD: As these old contracts mature that is when we establish the amount necessary to maintain the reserve for those maturing contracts. I think the question the senator is asking is as to how much the liability will be for these old contracts that are yet to mature?

Senator LEONARD: That is right. You admit that the tables upon which they were based were inadequate. Now, if you were to provide now for the full amount of reserve that is required what would the amount be? Is the fund in balance?

Hon. Mr. GREGG: That will depend upon life expectancy and many other factors. But go ahead.



Mr. McCORD: At the moment a lot of people are still paying into their annuities. There are many that are deferred, and persons are still paying premiums. In consequence it would be pretty difficult to establish just exactly how much would be needed. I think a rough estimate has been made that over the years something of the order of \$40 million would be required to liquidate all of these old contracts.

Senator LEONARD: \$40 million is an additional liability to take care of the contracts now unmatured, issued prior to 1948, over and above what is in the fund?

Mr. McCORD: Yes, that is the case. Mark you, we do not know how much these annuities will amount to when they are finally paid off; and that again is spread over the next 40 years.

Hon. Mr. GREGG: May I just say, Mr. Chairman, that we will bring a reply to Senator Isnor's question at the next sitting.

Senator ISNOR: I want to pursue that, and ask a simple question; what is your position in regard to income tax reductions in the issuing of this group insurance? Do you make the allowance to the employer?

Mr. McCORD: You are referring now to the premium payments made?

Senator ISNOR: Yes, right.

Mr. McCORD: On the approved pension plan the premium payments made by both the employer and employee are exempt, but when the annuity becomes payable the whole annuity is taxable.

The CHAIRMAN: Gentlemen, I had agreed to release Mr. Gregg at 11.15. He has indicated that he would be very pleased to come back at a future sitting; and I think that later we will decide if we will need him. I want to thank you, Mr. Gregg, on behalf of the committee.

Hon. SENATORS: Hear, hear.

The CHAIRMAN: I would ask Mr. McCord to stay in case some questions are asked later.

Now, Mr. Harris, I ask you to speak to us. It is not necessary for me to introduce Mr. Harris. Prior to his coming here I have given him an indication of what your queries to him may be. Mr. Harris, too, is rather tied up today. I suggested that he might give a brief resume on the query that I have presented to him, and that maybe he, too, later could come again if there was any necessity.

Hon. WALTER E. HARRIS (*Minister of Finance and Receiver General*): Mr. Chairman and honourable senators, while I admit that we have other engagements, I do not think there is anything more important than finance in the Government of Canada, and I am prepared to discuss it at any time. My understanding is that you wish to know something about the superannuation fund, and I have a short statement to make. After that, I must confess, as I am not familiar with the details to the point where I can answer any direct questions without help, I have it here.

The total amount standing to the credit of the superannuation account on March 31, 1956, was about \$804.8 millions. Of this amount \$615.8 millions represents contributions made by employees and the Government, including interest at 4 per cent per annum, less benefits paid. The \$615.8 millions includes also \$175 millions representing special contributions appropriated by parliament toward making up the accumulated deficiency in the fund. The remaining \$189 millions which is shown on the Government balance sheet as a deferred charge is the present unamortized deficiency. The total of \$804.8 millions shown in the superannuation account constitutes the approximate actuarial liability of the Government with respect to future superannuation benefits for all public servants covered by the Act. This account is not

a cash fund, but represents only an accounting record of the Government's liability with respect to the transactions or operations under the Superannuation Act, and is shown as a liability in the statement of the Government's assets and liabilities. The cash paid into the account as the result of contributions by employees is credited to the Consolidated Revenue Fund.

Senator REID: Two years ago I put on the order paper an inquiry asking for the amount of collections and contributions by those under superannuation, and the amounts paid out. To my surprise, over a period of ten years, the contributions and the payments almost equalled each other. I never could understand why we had to put up millions to the Fund if we are not paying out more in superannuation than we collect. Why do we put millions of dollars into some hypothetical fund?

Hon. Mr. HARRIS: Mr. Deutsch tells me that the statement for last year, for example, that is the fiscal year 1954-55, shows total receipts from employees and contributions, interest and the like, matching contributions from the Government, of \$98,967,716.02, and the disbursements for annuities, gratuities, return of contributions and so on, \$22,067,287.14. So we have an excess of receipts over disbursements of \$76,900,428.88.

Senator REID: I have not got an answer yet. What I am trying to find out is, if our receipts are greater over the years than we are paying out under superannuation, why should we put into some hypothetical fund a hundred and some million dollars, which we did a few years ago? This was to make up some deficit in the Superannuation Fund. I never could get that clear. I thought there was an actual cash deficit, but as I looked back over ten years I found that the contributions by employees are greater than the amount paid out in that period.

Hon. Mr. HARRIS: But as I indicated in my statement, senator, there is still a deficiency of \$189 millions in the theoretic obligation of the Government.

Senator REID: It is all Greek to me. I give up.

Senator HAIG: As I understand it what is done is this. Say a person enters the Government service at the age of thirty. He will pay into the fund for thirty-five years and will be eligible for superannuation at the age of sixty-five. Now, you will want him to have contributed to the fund enough money which, when matched by a similar Government contribution, will cover his normal life expectancy after retirement. Is that the basis upon which you proceed?

Hon. Mr. HARRIS: That is the situation.

Hon. Mr. HAIG: I agree with what the Government is doing. I do not agree with what Senator Reid has said. The way the Government handles it there is no debt left to some future generation to pay for a benefit someone else has enjoyed. I like the statement made by the Minister just now. First of all I would like to ask the Minister what period is taken to fix the superannuation for retirement at the age of sixty-five? Is it the last ten years?

Hon. Mr. HARRIS: Yes, but it is the best ten years.

Senator HAIG: And one-tenth of that?

Hon. Mr. HARRIS: Two per cent a year multiplied by the number of years of service up to thirty-five years of service.

Senator HAIG: If an employee worked for the Government for forty years would it be 80 per cent?

Hon. Mr. HARRIS: No, it is cut off after thirty-five years of service.

Senator HAIG: Then it would be 70 per cent?

Hon. Mr. HARRIS: Yes.

Senator HAIG: When the Government increases the salaries of civil servants as it did on April 1st, I presume it calculates beforehand what the fund will have to get, and that liability is shown in the account next year?

Hon. Mr. HARRIS: That is right. There is a provision in the act that we must do that within a year.

Senator CRERAR: Although I have been knocking around Ottawa for a good many years I find myself still somewhat ignorant on matters regarding Government administration.

Senator HOWDEN: Who doesn't?

Senator HAIG: That is not our fault, Senator Crerar. Don't blame us.

Senator CRERAR: No, I would be the last person in the world who would put any blame on you. When the principle of superannuation was initiated and accepted it was on the basis that the employee would make a certain contribution per year on the basis of salary, that the Government would make an equivalent contribution to the fund, and that the Government would pay the cost of administering the fund. Am I right in that?

Hon. Mr. HARRIS: Quite so.

Senator CRERAR: Now, if we assume that conditions had remained stable, that is, that the scale of remuneration at the time the fund was put into effect had remained stable, the fund itself would have remained solvent all down through the years.

Hon. Mr. HARRIS: There is no question about that.

Senator CRERAR: Very well. As the years progressed, and particularly in the last ten years, we have had an insidious and consistent inflation in our economy and it has been found necessary to increase the salaries of civil servants. I find no fault with that. Nevertheless that has disturbed the basis upon which the fund was established in the first instance. Now, are we likely to reach any termination of subsidies to the fund? It would seem unlikely to me, if we get more inflation. Within the past few weeks the Government has given quite a substantial increase to the civil servants. I am not quarreling with that at the moment at all. I am just stating it as a fact. But that increase is bound to throw out of balance the basis upon which the fund was calculated prior to that time, unless the Government does one thing which it has not done so far. It could tell the civil servants when they get increases, "Well, now, if you are going to participate in a pension based on the new scale of your remuneration then you must pay an equivalent amount into the fund so that the fund will be able to meet its obligations to you when you retire; and the Government will do the same thing." But that is not being done, Mr. Harris, is it?

Hon. Mr. HARRIS: No, we are not asking the civil servants to pay a larger sum than the continuing percentage of the new salary.

Senator CRERAR: You are asking the taxpayers to pay it?

Hon. Mr. HARRIS: We hope Parliament will support a vote to the fund of an amount equivalent to the additional liability. As you know, under the statute that is required to be done within twelve months of the time the increase is made.

Senator CRERAR: Would there be anything unfair to asking the civil servant to continue paying under the old scale if he is satisfied to draw a pension commensurate with the old scale or to make a larger contribution based on his new scale of pay if he wishes to draw a pension commensurate with the new scale?



Hon. Mr. HARRIS: It would be too much for the Government to ask the civil servants to do that.

Senator CRERAR: That is not my question. My question is: would there be anything unfair to it?

Hon. Mr. HARRIS: Oh, yes, you would have a superannuation fund which would have more variations than it has at the present time. We would not want that.

Senator CRERAR: Really, that is not a very strong argument. I do not see anything wrong in what I suggest.

Senator GOLDING: What percentage do they pay now?

Hon. Mr. HARRIS: Six per cent. Mr. Deutsch has reminded me that one of the conditions of employment when a civil servant enters the Civil Service is that he will receive a superannuation benefit based on the salary of the best ten years. When he enters we assure him of that. Now, then, to answer your question, Senator Crerar, it would require us to decide as a matter of policy that that would not be a condition of employment, that the condition of employment would be as you have indicated—

Senator CRERAR: It could be very easily remedied so that you can give him a choice.

Hon. Mr. HARRIS: I would not agree to the word "easily".

Senator CRERAR: I want to be good-natured about this, of course, but what we are doing in effect is that every time the civil servants get an increase in remuneration we are asking the taxpayers to make a contribution. Is that not true?

Hon. Mr. HARRIS: That is essentially correct.

Hon. JOHN J. CONNOLLY: Could that one point be explained a little bit more, as to why every time there is an increase there is a further drain on the taxpayer in connection with the superannuation fund?

Mr. DEUTSCH: With the permission of Mr. Harris I would explain that the actuarial basis of the fund is such that an employee contributes 6 per cent of his salary and the Government matches that with a 6 per cent contribution, and then pays 4 per cent interest on the accumulated fund. And that is on the assumption that the average employee will progress from his initial salary in an average sort of way until he retires—his salary goes up as he gets promoted. There is an assumption in the actuarial calculations about how the average rate of progress will take place. Now that is all very well until you change the whole level of salary—lift the whole thing up, say 10 per cent. All the contributions in the past have been made on salaries approximately 10 per cent lower, and when he retires his retiring salary is roughly 10 per cent higher and he gets benefits for the years preceding the increase roughly 10 per cent higher for which he never made any contribution. That is where the deficiency arises.

Senator VIEN: But from year to year when the salaries increase the same percentage out of the increased salary is paid by the employee?

Mr. DEUTSCH: Yes, but the actuarial assumption is that the extent to which salaries increase is related to a man's promotion in the service, as he might be expected to be promoted, as he stays in the service, and does not take account of a general increase. If everybody's salary goes up on a flat basis, say 10% then benefits go up, automatically for the whole service; whereas the contributions were based on salary levels, say, 10 per cent lower, and that is where the deficiency arises.

Senator HAIG: Mr. Harris, when he is given an increase in salary you have to make up this shortage to catch up?

Mr. DEUTSCH: That is right.



Senator HAIG: That is part of the consideration?

Mr. DEUTSCH: That is right.

Senator John J. CONNOLLY: May I ask this question? These figures Mr. Harris has been giving in connection with Civil Service superannuation, does that include defence force pensions too?

Mr. HARRIS: No, it does not; just Civil Service.

Senator CONNOLLY: Perhaps, it is not right to ask this, but is there a similar deficiency in that Fund?

Mr. HARRIS: No. The other fund is all right.

Senator CONNOLLY: Are there any other funds besides the Superannuation and the Defence Forces of the Government?

Mr. HARRIS: The R.C.M.P. as well.

Senator CONNOLLY: What is its position?

Mr. HARRIS: The present deficit is about \$2 million in the R.C.M.P. fund, but we will be making a contribution towards it this year as we will be in this other case.

Senator VIEN: How is it that in the National Defence superannuation fund the same takes place? There are increases in salaries, and how is it that the deficiency is not felt there?

Mr. DEUTSCH: By the time we set up Defence services we had become familiar with this deficiency business, and as a result, we have been making a somewhat higher contribution for years. As a regular charge every year, we contribute about 10 per cent instead of 6, that is the Government does, not the individual.

Senator CONNOLLY: In other words, if the deficiency position has been realised a number of years back under the Superannuation Act and the same procedure had been followed away back, then you would not have this deficiency?

Mr. DEUTSCH: No. You see, Civil Service salaries started to be put up in general, after the war, about two years after the war, and that is when this thing developed, and at the time we got around to making arrangements for Defence services fund, we realised this factor was present, and then we took care of it year by year by contributing around 10 per cent a year, rather than 6 per cent, and that in fact has kept the fund sound.

Senator BURCHILL: I have only one thing to say, in connection with Senator Crerar's point. I think it is only fair to state that every industrial corporation has pension funds, which are either contributory or non-contributory, and every one of them that I know anything about has had to do the very same thing as the Government has done. It is the only thing that can be done.

Mr. HARRIS: That is why I disagreed with Senator Crerar's use of the word "easily".

Senator HOWDEN: I would like to ask this, for the sake of information. When these Civil Servants are superannuated, I know that in the flying field, the age is 40. I was wondering about policemen and those engaged in military service.

Mr. DEUTSCH: Well, in the military service, retiring ages are related to the ranks. I think the lowest rank is 20 years service, and then the higher ranks a little longer, but if a man has passed a certain rank at a certain age, he can be retired, and that varies with the ranks.

Senator HOWDEN: What about the R.C.M.P.

Mr. DEUTSCH: The same general principle applies.

Senator LEONARD: I have a question to ask the Minister which deals with the supplementary death benefit plan, which was recently put into effect. I ran across a case a little while ago of general application whereby the act is being rather rigidly enforced, and the application had to be within thirty days of the time of retirement. The man I have in mind had made his application prior to retirement, on his six months' leave, and it was turned back then his application in the thirty day period was lost, and now he is ruled as not being entitled to the policy. I was hoping the Minister would give some information on that.

Hon. Mr. HARRIS: I have a resolution on the Order Paper at the present time with regard to a bill that will deal with that particular matter.

Senator LEONARD: Thank you very much.

Senator MOLSON: Mr. Chairman, may I ask a question of a more general nature, not on this particular subject?

The CHAIRMAN: Oh, I think so, yes.

Senator MOLSON: In some of the earlier meetings of the committee there was some discussion on the allocation of the cost of various departments. For example, it came out that Public Works was assuming a large load in its estimates, which were items that could easily have been charged to other individual departments, and there was quite a considerable amount of discussion on that subject. I was wondering if it would not be beneficial to have an allocation of charges that could be arrived at fairly readily shown in the estimates under those individual departments, rather than sometimes appearing as a lump sum in some departments such as Public Works. I admit that is rather a difficult example.

Hon. Mr. HARRIS: Well, perhaps the senator would be good enough to give me an item he thinks ought to be transferred. I admit that Government administration is confusing to one who must learn the ways about, but as a general principle Public Works Department does a great many things which are not strictly construction, but which they do as a matter of convenience and which can be done better by Public Works than the department concerned. Our charwomen who clean the offices do so at the expense of Public Works and not at the expense of the department concerned.

Senator MOLSON: Well, items like rental, for example. I am not dealing specifically with construction.

Hon. Mr. HARRIS: Well, the Government rents offices throughout the country, and Public Works, of course, has to do the renting. Now, if it is concentrated in the one department which itself is responsible for construction and the costs of a building and the rental which should normally be obtained for a like space, I should think they would be more efficient in determining whether or not another rental would be within the proper limits. As a matter of fact, when the item comes before Treasury Board, even Treasury Board has its opinion as to whether this particular rental figure is a proper one, and if, for example, Public Works did not think it was, it would not come to us.

Senator MOLSON: I was not questioning the method of administration, but rather the figures that appear in the estimates. In other words, if the Post Office is getting value of \$13 million worth of space, should not that amount be shown under the Post Office instead of Public Works?

Hon. Mr. HARRIS: Well, if anyone wishes to determine the actual cost of the Post Office, it of course could be broken down and you could arrive at the cost of postal service, even if the rental for the Post Office building is paid by Public Works. I don't think it presents any real difficulty. Perhaps it would to a

complete outsider who would have to obtain this information, but the accounts are such that you could determine it in a given time.

Senator GOLDING: It always costs something to get that information, does it?

Hon. Mr. HARRIS: There is some cost to it, but in my view it is something that should be borne gladly by the taxpayer in order to avoid the possibility of spending too much and not being able to find out where it goes.

Senator CRERAR: We don't always have the Minister here, and perhaps I could ask him a question which arose out of a previous meeting. I may say this is not a new idea with me; it was one I entertained strongly when I had a share of the responsibility in the administration. Would it not be more accurate if each department had to budget and pay rent and maintain the premises it occupied for its own purposes? In that way, the Department of Public Works would in effect be a landlord for all the other departments. The advantage, it seems to me, would be to put some restraint upon the departments in the spending of money. I am quite sure, with your experience as Minister of Finance and serving on the Treasury Board—and I had ten years' experience on it—that the difficult thing is to hold the departments down. If a department had to budget for and pay to Public Works Department proper charges for the premises occupied, I think over a period of time it would create a new atmosphere with respect to spending. Then, if a department wished to enlarge its premises it would have to provide the money for it through the estimates. It does seem to me that government has become such a huge and complicated business, that it would be definitely advantageous to apply some elementary sound business principles in its administration.

It is for that reason that I suggest that a serious study should be made at this time as to what can be done in the future. This proposal would simply mean that you would say to any particular government department, henceforth you are going to pay rental for all space you occupy, you will pay for the cost of services, and you will prepare an estimate to cover that cost to be presented to Parliament. It would not mean that the money would go outside the consolidated revenue fund, but it would give a true and proper reflection of departmental costs.

Hon. Mr. HARRIS: I think Senator Molson had much the same idea. I perhaps did not explain my position clearly enough in answering him. Your suggestion is one way of doing it, and it might be the better way. However, the way it has been done in the past has put into the hands of Treasury Board the scrutiny of Public Works' activities with respect to rentals and cost of maintaining buildings.

Senator CRERAR: An almost insuperable task.

Hon. Mr. HARRIS: That may be so. However, it is believed that Treasury Board can discharge its obligations better when it deals with one department which is doing all the renting across the country; on the other hand, if Treasury Board had to deal with eighteen departments of government, and had to convince one department that the cost it intended to incur in erecting a building was out of line with what another department was paying, you would have a merry-go-around amongst the various ministers. So, it is felt that to have all the management in the one department allows you to make a comparison, and I believe that in practice it helps to keep costs down. Certainly, some departments have to be dealt with separately, but if it is just a case of showing actual costs separately, I don't know that that is necessary. Of course, if it would have the effect of reducing costs, I am all for it.

Senator CRERAR: I think it would.



Senator HACKETT: Mr. Chairman, I should like to ask the Minister if there is a distinct fund into which people who are not civil servants and not affected by some employer-employee relationship, pay?

Hon. Mr. HARRIS: I don't know of any.

Senator HACKETT: I was thinking of the ordinary individual who buys an annuity for himself or a member of his family.

Hon. Mr. HARRIS: Yes, the Department of Labour has its annuity branch.

Senator HACKETT: I was merely seeking to know if there is a fund which is distinct from the relationship of employer-employee; if, for instance, an individual who is not a civil servant and who is not embraced in a pension plan, wants to get an annuity to be used in any way, does such an individual acquire a contract separately?

Hon. Mr. HARRIS: That can be done by buying an annuity through the Post Office or from a department salesman.

Senator HACKETT: I want to know if that fund is actuarially sound today, and if you have to pay into it as well as into the other fund by reason of the increase in longevity.

The CHAIRMAN: Senator Hackett, we had a discussion on that principle before Mr. Harris came in.

Senator HACKETT: I want to get an answer from Mr. Harris, if I may.

Hon. Mr. HARRIS: That also shows a deficit, but I have not the details with me.

Senator ISNOR: I don't wish to delay Mr. Harris, but I would like his comment in regard to a statement issued by the government in respect to capital expenditures by business firms. As you know, each year a business firm issues a statement showing its assets and liabilities. As I understood from previous witnesses, all capital expenditure in connection with construction is immediately written off. I cannot reconcile that with the practice carried on by insurance companies or banks who issue every year their capital expenditures. I should like Mr. Harris to comment on the wisdom of that policy.

Hon. Mr. HARRIS: I don't know how I can reconcile it for you, Senator, if you feel that we ought not to write it off. We have written off capital costs immediately over a good many years, and I think it is a very sound practice.

Senator ISNOR: In other words, if you spend \$50 million or \$60 million in 1956 for buildings, you immediately write that off and you have no asset to show in the future. What are you going to do with it if you sell 25 or 50 per cent of that building?

Hon. Mr. HARRIS: It goes through the Crown Assets Disposal Corporation and the money comes into the consolidated revenue fund.

Senator CRERAR: That is accelerated depreciation!

Senator ISNOR: I see. I suppose that is about the only answer I can get.

Senator BURCHILL: Mr. Chairman, just before Mr. Harris leaves, and to clear up the point raised by Senator Hackett: Is there no other fund to take care of annuities outside of the fund that is administered by the Department of Labour?

Hon. Mr. HARRIS: That is the only fund we know of.

Senator HACKETT: There is, I understood, a separate fund, the one concerning which you said you did not have the details here, the fund which is not represented by purchases in the Civil Service, one which is not effected by the



employer and employee contracts, but the individual who has bought an annuity and who has paid for it; that I understand from you is a separate fund, and I asked you how it stood and you said there was a deficit and you were not prepared this morning to discuss it.

Hon. Mr. HARRIS: That is correct, senator.

The CHAIRMAN: Gentlemen, if there are no other questions, Mr. Harris would like to be excused. He has intimated to me that he is quite busy today. On behalf of the members of the committee I would like to say a few words of appreciation to him for the information he has given us. Mr. Harris has already indicated if for any reason we wish to question him again, or if there are any inquiries to be made of him at any later date he would be pleased to come here again.

Hon. SENATORS: Hear, hear.

The CHAIRMAN: Now, if there are any questions about matters of detail of administration that you would like to have answered, Mr. McCord is here. He is the Director of the Annuities Branch of the Department of Labour. We also have attending this morning Mr. Deutsch, Secretary of the Treasury Board and also Mr. Clark. These gentlemen will be able to answer any questions of details you would like to know about.

Senator REID: Mr. Chairman, I wonder if I would be imposing if I were to press for an answer to a question I asked previously. At a previous meeting I was given a very logical answer but it seems strange to me that the Government has to put into the superannuation fund \$150 million, which they did a few years ago, when to all appearances that fund was carrying itself very well and building up a reserve of money each year, and yet in spite of that the Government was called upon to bolster the fund by \$150 million. I am sure there is an answer and if there is I would like to have it.

Mr. DEUTSCH (*Secretary, Treasury Board*): Mr. Chairman, Senator Reid's question is a perfectly logical one because the fact is we have been collecting more money year by year than we have been paying out.

Senator HOWDEN: Do I understand you correctly when you say that you have been collecting more money than you have been paying out?

Mr. DEUTSCH: Yes, in cash, Senator Howden. The actuaries calculate this liability. They calculate what the fund will have to pay out when the individuals now making contributions will be in retirement. They calculate that at that time the fund will have received so much money over the period they are at work, and when they are superannuated there will be so much money to pay out. The actuaries base this calculation on how long a man will live, being of a certain age today, and they have tables showing how long on the average a man of a certain age will live. They add up what all these liabilities will amount to when the employees are superannuated, and they say when we come to that point the fund will only have so much money. That can be calculated. So much money is contributed every year by the employee, and that is matched by the Government and the two are added together and compared to the sum total of the liabilities that will then exist.

Senator REID: When a civil servant retires a new one takes his place and starts paying into the fund and the new one will continue to pay into the fund for anywhere up to 30 to 40 years. What I mean to say is, the retirement of a civil servant does not leave a vacuum of non-payments—payments are made into the fund by the new civil servants each year.

Mr. DEUTSCH: If the civil service were completely static from now on that is to say if it never grew in size, that it was composed of the same number of people, at the same salary scale, then a sort of static calculation could be made

on this basis, and on that basis there would be this deficiency. It is on that static basis that this deficiency exists. But if the civil service keeps on expanding and more are coming in than are going out on retirement, you may go on for a long time before you reach the final liability stage. This is an actuarial and statistical calculation. If the civil service keeps on expanding and more are coming in than are going out, then you may never have to face up to the actual liability. Of course at some time in eternity we might because it would have to end somewhere. The situation in the United States is a very interesting one to compare with ours. Their system as applied to the old age pension scheme is different to ours. Here in Canada we pay \$40 a month and we put the money in the fund every year, that is to say the money that is needed. Each year Parliament votes money for the fund equivalent to what has been paid out. In the United States however, they do not do that. They have the same system there for old age security as we have for our civil service superannuation fund. They use payroll deductions for the groups covered in the United States, and they number something like 50 to 60 million people. Each pays in a contribution and the Government matches it and in that way the fund is built up. This fund is gigantic, it is something like \$30 billion. They actually calculate the potential liability which will exist at the age of retirement and build up a fund to cover that liability. That is exactly what we do in the civil service, but as long as you keep on expanding you may always be collecting more cash than you pay out.

The CHAIRMAN: I think that is a very satisfactory answer. Senator Molson has a question.

Senator MOLSON: Mr. Chairman, in Mr. Gregg's submission I read: "The administration cost of the Annuities Branch for the fiscal year 1954-55 is only 1.68 per cent of the net premium income for that year. Included in this figure is the estimated rental value of office accommodation in public buildings and leased premises provided by the Department of Public Works, value of postage and cost of issuing and mailing approximately 700,000 annuity cheques in the year". Would the witness explain how these additional items are made up?

Mr. McCORD: We made an estimate of these various items. Rents, for example, accommodation in Government-owned buildings and also buildings rented by Public Works for our offices, for the last fiscal year, ran about \$90,000. The value of "frank" postage, that is mail mailed out from headquarters on which we do not pay extra postage, is \$35,000; and the cost of the writing and printing and enveloping annuities cheques runs about \$28,000. In other words, about \$153,000 are the costs that are not included in our estimates. The total estimated expenditure, departmental estimates, was \$1,012,800, or, adding the two together, \$1,165,885. Our premiums of that year were \$70 million, and the percentage was 1.66. Does that answer your question?

Senator HAIG: I just want to help Senator Reid out. If he will take his mind back to the time in Canada when a number of these fraternal societies were established, he may know that if you joined such a society you paid, besides membership fees, \$2 every time a member died. In the town I lived in the society took in about twenty-five new members every three months, and only about four died during the same time, so they were making money pretty fast. People said, "This is fine, but the amount you old people have been charging us to pay life insurance is all wrong. We have been paying \$12 a year and we get \$2,000 insurance if we die." But times changed; people stopped joining the societies, but the deaths went right on just the same, and at the end of the road the province of Manitoba had to pass a law whereby they put up the necessary cash, or these societies would have closed up and all the people who had been paying for years would have lost the money they paid. As long as people keep joining these things and taking out new policies, okay, but the day may come

when we shall get machines, through this process of automation, which will do the work of forty people, so that, instead of having 4,000 people working in a particular department, there may be only 400.

There is only one question I wanted to ask Mr. McCord about the annuities. You say that you hope that this year there will not be very much shortage in the actual annuities expenses as compared with what you receive. Is not this anticipated change caused by an increase in interest rates on securities?

Mr. McCORD: No.

Senator HAIG: Are not your assets bringing in bigger money? Can you not buy Province of Ontario bonds at  $4\frac{1}{2}$  per cent, and Dominion bonds, guaranteed, at  $3\frac{1}{2}$  per cent?

Senator BURCHILL: Since Monday.

Senator HAIG: I know that, but they can buy them, and they will be bought cheaper yet. Sixty million dollars worth of bonds were issued the other day at  $4\frac{1}{2}$  per cent.

Senator LEONARD: They are all gone.

Senator HAIG: There will be more. Don't have any uneasiness about that. Do not these changes increase your profits a little on investments?

Mr. McCORD: The annuities fund is not investing in outside bonds or debentures of any kind. We are guided by the interest rate on Canadian Government bonds. The thing that brings about this possible surplus this year with respect to these old contracts, that is, contracts issued prior to 1948, is the mortality experience this year. While we have lost money, or have had to apply monies towards meeting liabilities on contracts maturing this year, there have also been a lot more deaths on certain contracts maturing this year than had been anticipated. The result is that we expect there will be a small surplus this year as compared with some \$350,000 we had to put in last year to keep the fund solvent.

Senator GOLDING: From the time that this scheme was launched, was it not expected that the Government would pay administration costs?

Mr. McCORD: That is right.

Senator GOLDING: What was the situation when the scheme was started? Was there much competition in the sale of annuities by insurance companies, or anything of that nature?

Mr. McCORD: Well, as a matter of fact, sir, back in 1908 I do not know that there was any competition.

Senator GOLDING: Well, that is what I thought. That is what I want to know.

Mr. McCORD: I do not think there was any competition in 1908.

Senator REID: I have a question with regard to commission paid. I understand that when an ordinary individual takes out an annuity, the agent responsible can receive up to \$50 per contract. With regard to group contracts, where an agent handles 50 to 100 at a time, instead of having to go out on the street and try to get clients one at a time—say that a company is putting a hundred of its employees under a group scheme—what commission does the agent receive?

Mr. McCORD: Correction, senator. A representative today receives a maximum of \$100 on an individual contract. That is his maximum commission. However, with respect to a group contract his maximum commission is \$600. This is based on the amount of money. It is not necessarily the number of individuals covered. It can be twofold,—partially the number of individuals covered, and the amount of premium money received.



Senator REID: And the amount of 1.68 per cent as administration costs, does that take in the commission pay?

Mr. McCORD: It includes that.

Senator GERSHAW: Who gets the commission when a person writes to the Annuity Branch wanting to purchase an annuity?

Mr. McCORD: If the person deals directly there is no commission paid.

The CHAIRMAN: Thank you. Are there any more questions? I want to extend to Mr. Deutsch, Mr. McCord and Mr. Clark our thanks for the information they have given us here today.

The committee adjourned until Thursday, May 17, at 10.30 a.m.





Canada, Finance, Standing Committee,  
on (Senate), 1956  
CAL YC 13-N14 1956  
THE SENATE OF CANADA



Government  
Publications

PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON  
**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957.

No. 8

THURSDAY, MAY 17, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESSES:

*Dominion Bureau of Statistics*

Mr. Herbert Marshall, Dominion Statistician; Mr. S. A. Goldberg, Assistant Dominion Statistician; Mr. C. V. Parker, Director, Agriculture Division; Mr. F. H. Leacy, Director, Research and Development Division; Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division.

APPENDICES

E—Comparison of Consumer Prices and Average Weekly Wages. Annual Averages for Canada, 1952-55.

F—National Income and Gross National Product and Expenditure, 1949.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956



## MINUTES OF PROCEEDINGS

THURSDAY, May 17, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators Hawkins—Chairman, Aseltine, Barbour, Bouffard, Golding, Haig, Howden, Isnor, Leonard, Stambaugh, Taylor, Turgeon and Vien.—13.

*In attendance:* The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

A statement on financial accounting, prepared by Major General H. A. Young, Deputy Minister of Public Works, was read by the Chairman.

The following officials of the Dominion Bureau of Statistics were heard:—

Mr. Herbert Marshall, Dominion Statistician.

Mr. S. A. Goldberg, Assistant Dominion Statistician.

Mr. C. V. Parker, Director, Agriculture Division.

Mr. F. H. Leacy, Director, Research and Development Division.

Mr. L. E. Rowebottom, Prices Section Chief, Labour and Prices Division.

A comparison of consumer prices and weekly wages, prepared by the Labour and Prices Division, D.B.S., was ordered to be printed as Appendix E to these proceedings.

A table showing national income and gross national product and expenditure, referred to by the Dominion Statistician, was ordered to be printed as Appendix F to these proceedings.

At 11.45 a.m. the Committee adjourned until Thursday next, May 24, 1956, at 10.30 a.m.

Attest.

John A. Hinds,  
*Assistant Chief Clerk of Committees.*





## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 17, 1956.

#### EVIDENCE

The Standing Committee on Finance which was authorized to examine the estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the chair.

The CHAIRMAN: Gentlemen, we have a quorum, so would you please come to order. It will be recalled that General Young, the Deputy Minister of Public Works, appeared before the committee on May 3rd. At that time he was asked to submit a report at a later date in connection with financial accounting, particularly as to whether buildings are shown in the estimates or in the financial statements of the Department of Finance as current expenditures or as capital expenditures. I have his statement here now and I would like to know whether you would like me to read it into the record now or have it shown in the proceedings of the day as an appendix.

Senator HAIG: I suggest you read it.

The CHAIRMAN: Very well. I had written to General Young asking him to prepare the statement and in his letter he said:

I wish to refer to your letter of the 7th of May, and the statements made by me before the Standing Committee on Finance on the 3rd of May, 1956.

This relates to a query on the matter of financial accounting. You remember at that time he gave a statement and he said: "I am not too sure about this." His statement is as follows:

1. I find on reviewing the statement I made before the Senate Finance Committee with respect to accounting, that the Department of Finance does not maintain an asset account covering projects constructed by Public Works. This means, in effect, that the statement I made before the Senate Committee is not strictly correct. It would be correct to say that the Department of Public Works considers all expenditures on the same basis. I refer in this connection to capital outlays such as construction of new buildings, and current expenditures such as those that relate to maintenance repair and wages. The Department has, of course, a record of the original cost and of subsequent maintenance or changes on all buildings and structures for which it is responsible.

2. In private business, there is no doubt that an expenditure on a building would be treated as a capital expenditure. This is not the approved accounting treatment in the Federal Government at the present time. The outlays on new buildings, for purposes of financial accounting, are simply treated as current outlays.

3. It may, however, be noted that in the Department of Public Works, proposed outlays on such things as new buildings, wharves, breakwaters, and dredges, are examined with particular care, with a view to ensuring that the Government gets value for its money. As you will appreciate,

we have to keep in mind that an expenditure on a new structure or piece of equipment involves not only the initial cost, but it also brings in its train all the consequent maintenance and repairs during its lifetime.

4. Expenditures in Public Works, as in other Departments, are reported by the Treasury Officer to the Department of Finance, under the "Summary of Standard Objects of Expenditures and Special Categories for the Estimates".

5. One further point may be made. When any building or piece of equipment becomes surplus to the needs of the Department, it is turned over to Crown Assets Disposal Corporation. On sale, it is that Corporation rather than the Department of Public Works which receives funds and that Corporation eventually hands over any revenue from sale to the Receiver General of Canada.

6. In the National Accounts, as prepared by the Dominion Bureau of Statistics, expenditures on new buildings are also treated as current outlays, as already explained by Mr. Leacy in his evidence on the 26th of April, 1956.

7. I think you will see from the foregoing that in fact there is consistency between the outlays on new buildings by the Department of Public Works and the information supplied by the Dominion Bureau of Statistics with respect to National Accounts.

Senator ISNOR: Mr. Chairman, are you going to allow us to comment on that report?

The CHAIRMAN: Very definitely.

Senator ISNOR: Now?

The CHAIRMAN: Yes.

Senator ISNOR: In view of the fact that I was perhaps the one who raised that question in the first place, and as Mr. Leacy outlined the procedure in so far as his department's position is concerned, I again raised it with General Young to ascertain if the Department of Public Works treated it in the same manner. I now learn from the letter which you have read, as well as from one that I received from Mr. Leacy—which I might say was a very fine letter—that this practice or policy dates back to 1920. It might be a good policy but it is not in keeping with the general practice as carried on by commercial firms. I am wondering if I am wise in pursuing it further. That is a matter for the committee to decide and for the Chairman to include in his recommendations or otherwise in the report which he will be making later on. It seems to me, however, that we should have something more definite, for in General Young's letters he covers two items. First of all he covers capital expenditure. A new building is a capital expenditure. We all recognize this. Then he deals with "Repairs to Buildings" which naturally comes under an expense account. I have no fault to find with the second part of his contention but I do feel we should examine and explore as to whether the policy is correct or if it should be revised in view of the general practice. I do not need to tell you about national income or national revenue and the manner in which this is dealt with. They definitely laid down a policy that one is a capital expenditure. The other was scrutinized with great care as to whether it should be charged as an expense for repairs, etc., or a portion of it carried as a further capital expenditure. It all depends on the life of the repairs. I think we will of necessity, at a later date perhaps, have to decide as to whether we should make recommendation in respect to that.

The CHAIRMAN: You are aware, Senator Isnor, that there has been a great deal more evidence in connection with this. Mr. Deutsch dealt with it.

Senator ISNOR: Yes, of course. He just confirmed the policy, and the Minister of Finance nodded his head the other day and said, "That is the policy," and

brushed us off in that way. I do not say that to be unkind, but that is what happened. Mr. Leacy gave a thoroughly full explanation and the background of the policy. Now, if that policy started in 1920 and has been continued and never been re-examined, I think perhaps we would be justified in dealing with the question either today or at some future time before the report is made up, as to whether we deem the policy that is now being pursued a sound one.

Senator HAIG: I would just like to say a word about this question raised by the senator from Halifax. There is a lot to be said in favour of his statement that the department should keep a capital account. I admit that quite candidly. But I have another thought in connection with it, not contradictory at all. We have attempted in this committee through the years to get all this expenditure for buildings and rentals and repairs under one department, that is, The Department of Public Works. We have been trying to do that so that it would be done more efficiently; and you know, sir, I am sure we all agree—and I think every member who was on the committee before will agree—that we have made great progress, because we have received very hearty co-operation from the present Minister of Public Works, and also from General Young, the Deputy Minister.

Now, the furthest I would go with the question raised by my honourable friend from Halifax would be this, that we would recommend that the Department consider whether it is advisable to carry these reports of public expenditures from the capital account in an account or not. I would not go further than that at this time. The other day I listened to the debate in the House of Commons, and came to the conclusion that there was something to be said for it. This was the first time in my experience here that I had heard a Minister of Public Works able to get up and say definitely and clearly what he was getting money for. It was not five or six or ten ministers trying to get money, but just one, and telling the house how. I like that policy very much. I personally want to encourage the Minister, and also to encourage the deputy minister, and I would like to see if they cannot cover all phases. My honourable friend from Halifax raises a good point, but I would not go so far as to recommend that it should be done, but just that it be considered, and if in their opinion this ought to be done. That would raise the issue, and probably a year from now, if we are all here, we could then ask the Minister, or if not the Minister, we could ask the deputy minister, what are the results of their consideration of our recommendation. Then we would be in a position, if we did not like the results of their consideration to suggest what could be done. I am pleading with this committee that we do not put in a firm recommendation until we get from the report what ought to be done.

Senator ISNOR: I should like to make a brief comment. I quite agree with everything that Senator Haig has said in regard to that. I thought I made it clear that I was only suggesting that we consider at some future time the view of making a recommendation and along the lines just now suggested by Senator Haig. That is all I ask. I want to see the items brought under one heading, namely, The Department of Public Works. I was glad to hear the praise Senator Haig had for the Deputy Minister from Nova Scotia, if I may be allowed to put that in.

The CHAIRMAN: Any further comment?

Senator BARBOUR: I would like to ask the honourable senator from Halifax what point there would be in having this all carried forward. It would be a good deal of expense to keep an account of capital expenditure. The money has gone, and the buildings are there. I cannot see where the benefit would be.

Senator HOWDEN: Just so long as it is a record of the debits and credits on that building....



The CHAIRMAN: One of the ideas behind Senator Isnor's suggestion is that it would show the proper cost of government; as a matter of fact, those estimates do not show the proper cost of government for the year 1955-56.

Senator ISNOR: That is one of the points.

The CHAIRMAN: Yes, and it would bring it into line with accepted accounting practice.

If there are no further questions, may I say when I discussed Mr. Marshall's visit here I asked him to prepare a comparative statement of wages and cost of living over the past four years. This was prepared by Mr. Greenway, Director of Labour and Prices Division. It is a short memorandum, and in the circumstances I would suggest that it be shown as an appendix to our report of today's proceedings. What is your wish in the matter?

Some SENATORS: Agreed. (*See Appendix E*)

The CHAIRMAN: We have with us today Mr. Herbert Marshall, Dominion Statistician; and with him is Mr. Goldberg, Assistant Dominion Statistician; Mr. Rowebottom, Prices Section, Labour and Prices Division; Mr. Leacy, Director of Research and Development Division; and Mr. Parker, Director of Agricultural Division.

Our original idea was to get from your Department, and now particularly from you, Mr. Marshall, the method by which the gross national product and the net national income are compiled.

Mr. HERBERT MARSHALL: Mr. Chairman and honourable senators, I would like first to make a few introductory remarks as part of the background.

The national accounts are widely recognized as a most important indicator of the economic health of the nation. Particularly since World War II. An immense amount of co-operative effort has gone into the examination of concepts, definitions and pertinent statistical methods with a view to making these accounts as accurate as possible.

Experts in this field of statistics from the United Kingdom, United States and other countries with highly developed statistical systems have participated in these discussions, and Canada also has participated. The United Nations Statistical Commission, on which Canada is represented and the statistical office of the United Nations have been very active in this work. The purpose of the United Nations' effort is (a) to promote the use of the best methods in connection with national income; (b) to achieve international comparability in the national accounts of the nations; and (c) to help other countries underdeveloped statistically to improve their statistical systems, so that they can produce reliable national accounts.

This latter purpose is one which is rather a long-run project, because the national accounts draw from almost every field of statistics, and those countries which are highly developed statistically, have sufficient data to build up detailed national accounts. Many of these other countries are seeking technical assistance to help in their statistical development.

I think what I have said should be of interest, because it indicates the importance of national accounts, and also the great complexity of the compilations which is evidenced by the fact that experts all over the world have been getting together to discuss concepts, definitions, etc., in order that they may have a meeting of minds on the most efficient methods to do this work. Our participation in these discussions has been of great help to Canada in the development of our national accounts.

A further reason why I say this to you is that I would not want you to think that when we are working on national accounts in the Bureau that we are operating in an ivory tower. We realize that we are in a period in which there is greater demand for high quality statistics; and that requires a great

deal of thinking about concepts, definitions, etc. So we are only too anxious to have these opportunities to discuss the matter with other national experts in order that we may be able to arrive at the best method of doing this difficult job.

Well, that is all I want to say by way of introduction. I shall now try to deal with the questions in which I think you are particularly interested.

What we have to do in compiling the national accounts is to find out the total value of all the goods and services produced during the year by Canadians, avoiding any duplication. We do this in two ways. One way is to sum up all the various earnings received, and the other way is to add up the value of all final sales made. Now, why do we use these two methods? Well, one reason is because each method furnishes us with component totals which are extremely useful for economic analyses. If you look at this table here you will see there are numerous sub-totals under each head. (*See Appendix F*) That is national income and gross national product and gross national expenditure, and these give information of much value to those who are interested in the national accounts.

Another very important reason, however, is this: these two approaches measure exactly the same thing—the value of production of new goods and services—and they are valuable for this reason, that the two ways give us an automatic check on the reliability of our overall results.

You are interested in the relationship between gross national product and net national income. The net national income is the sum of all wages and salaries, corporation profits and other earnings from investment, and the net income of unincorporated business enterprises. But we want to get a larger total than that, we want to get the gross national product, and that is simply the sum of this net national income plus depreciation allowances and indirect taxes. We start the year with a certain amount of capital equipment: we have natural resources; we have a labour force. Because the labour force works on the natural resources, and with accumulated capital in the form of plant and equipment, there results a flow of goods and services for our use, and we set ourselves the task of measuring the value of these new goods and services produced during the year by Canadians. One way of accomplishing that is by estimating the national income and adding to this depreciation allowances and indirect taxes.

The national income is really the compensation to labour, capital and enterprise for producing new goods and services. The market price of these goods and services includes all of this compensation—wages and salaries and interest and so on—and in addition the market price includes depreciation allowances to cover the value of capital equipment used up in the course of production and the Government levy in the form of indirect taxes reduced by subsidies. That is as brief a statement as I can make of the relationship between the gross national product and the national income.

Then, I think, some of you are interested to know the relationship between the gross national product and the gross national expenditure. Gross national expenditure is attained by the alternative method of measuring the value of goods and services produced during the year by Canadians. In this case, instead of being concerned with incomes, we are concerned with sales, and we simply add all final sales of goods and services, allowing for imports and for changes in inventory. For what is produced must either be sold or added to inventories. The total obtained in this way is called "gross national expenditure".

Four classes of sales may be distinguished: sales of consumer goods and services to persons; sales of goods and services to governments; sales to business of capital goods; and sales, that is, exports of goods and services, to other countries. The grand total of these sales includes imports of goods and services,



and since it is our purpose to measure production of Canadians only, we deduct imports of goods and services from the grand total. That is to say, when we add together all the final sales which take place in Canada, there are sales of goods which we have imported, which we did not produce, so therefore we have to deduct the imports of such goods and services.

One additional item which must be included to bring this grand total to the value of goods and services produced during the year is the adjustment for changes in inventories. If we start our year with inventories, those inventories may be part of the sales in that year, and in that case we must deduct them from the grand total of goods and services produced in that year, because they were not produced in that year, they were produced previously. On the other hand, it may be that some of the production of the current year may not have been sold but may have accumulated as inventories, and in that case we must add the increase in order to arrive at the grand total. This is necessary in order to make the gross national expenditure total comparable with the gross national product total. I have mentioned already that by compiling a table by gross national product and gross national expenditure methods we have a check on the accuracy of our results.

I think there is one other matter that came out of the evidence at the last meeting at which representatives of the Bureau appeared. A point was raised by Senator Haig in connection with the inclusion of inventories of grain in our national income and gross national product.

The point is that for some purposes you want to know the net income of farm operators from farm production exclusive of the value of inventories added or deducted in the current year. Therefore, in future our officers who are working on the national income will put an asterisk against this item, and have a note at the bottom of the table stating the amount of the change in inventory so that if you want to deduct it you can do that.

As a matter of fact, we have other tables in which that item can be picked out, but I think for any person studying these main tables it would be convenient to have the note for ready reference.

Mr. Chairman, that is all I want to say by way of introduction. I thought that perhaps other questions might be asked, and I have with me several experts from The Bureau of Statistics. I do not expect to answer all the questions myself, but I have Dr. Goldberg here, for example, who had a great deal to do with the development of these national accounts; and Mr. Rowebottom, and Mr. Leacy, and Mr. Parker. We will try to do everything we can to answer questions that are put to us.

The CHAIRMAN: Thank you, Mr. Marshall. Now, gentlemen, this is open for discussion.

Senator BARBOUR: I should like to ask a question. In this 1949 table of National Income and Gross National Product, you show \$1½ billion from farm operations and farm production. Could you tell us what the figure would be for 1955, say, when the gross national product was around 26 or 27 billion?

Mr. MARSHALL: We have it here in this document which you had the other day. (National Accounts, Income and Expenditure, fourth quarter and preliminary annual, 1955). On page 15 you will find that the accrued net income of farm operators from farm production was \$1,421 million. The figures in the table given you this morning (*See Appendix F*) are merely illustrative.

Senator BARBOUR: And that is less than it was in 1949, when the gross national product was \$16 billion.

Mr. MARSHALL: It was \$1.5 billion in 1949, according to this table here.

Senator BARBOUR: Well, it was less. When the gross national product was \$26 or 27 billion the amount from farm operations and farm production was

less than it was in 1949 when the gross national product was \$16½ billion. Then the farmers of Canada must be the only ones that keep the cost of living where it is; they carry the whole load, is that right?

Mr. MARSHALL: Well, I do not think I would like to give an opinion on that off-hand. That is a pretty complex question, and we would have to do a lot of investigation on it. I am sure it is helping to keep it down.

Senator BARBOUR: I think it is ninety-nine per cent of it. What percentage would your officials figure that the farmers are carrying of this load?

Mr. MARSHALL: Well, I'm afraid I cannot answer that question off-hand myself. Mr. Rowebottom, have you any views on that?

Mr. ROWEBOTTOM: It might be of some interest that the prices of both farm and non-farm commodities for the past three to four years—

Senator BARBOUR: But I was figuring on income.

Senator HOWDEN: The farmer is not the only producer; there are many other forms of production, I should imagine.

Mr. MARSHALL: As far as retail prices are concerned they have been pretty much on the level for some time, so that other prices besides farm prices certainly have not been going up to influence the consumers' price index.

Senator TURGEON: What is the relationship of items 4 and 5 to the figures of 1949 with those of the latest you have? Is there much difference between the two items?

Mr. MARSHALL: In 1955 the figure for net income of non-farm unincorporated business is one billion seven hundred and fifty-three million. So that in that sector there has been an increase in output.

Senator HOWDEN: That would cover all your forms of production other than farmers?

Mr. MARSHALL: That is unincorporated business.

Senator BARBOUR: What is the latest report on that?

Mr. MARSHALL: For 1949 the net income of non-farm unincorporated business was one billion four hundred million.

Senator VIEN: Have you a statement showing these figures in comparative tabulation from year to year?

Mr. MARSHALL: We have.

Senator VIEN: Could we have it?

Mr. MARSHALL: Well, we have 1954 and 1953 here.

Senator VIEN: That would be helpful.

The CHAIRMAN: That was distributed at a previous meeting, Senator.

Mr. GOLDBERG: I will give the senator a copy now.

Senator VIEN: Thank you. On looking at this document, I see that that is exactly what I had in mind.

Senator HAIG: Mr. Chairman, may I say here that although I am interested, as I see it, this is not vital to our investigation—how much income the farmers had, or how much the manufacturers or somebody else had. All I am interested in is that the income that you put in the national product is income. In that regard, I raised the question the other day, and one of your young men whom I questioned did not give me a clear answer. It may be that I am stupid and could not understand him, I don't know. He said that you include in the national income all the money you pay the armed services. Well, I would like to know from you just what they produce that we could consider paying our debts with.



You are telling us that we produced \$26 billion for so many million last year, and therefore the Minister of Finance said the taxes are so and so, and we are going to produce so and so.

Senator HOWDEN: They produce defence, that is safety.

Senator HAIG: There was a day when we had no army at all, and I cannot see that the armed forces produce any more than when we had no army. I see no difference.

Mr. MARSHALL: If they had not been in the army, they would, of course, have been producing something else.

Senator HAIG: But they are not producing anything at any time.

Mr. MARSHALL: I think that statement is certainly open to question, because I think it is generally conceded that the army does perform a service. They have a specific job to do. You are well aware of world conditions and you know that we cannot afford to be undefended and be without an army or air force. That surely is a service. After all, I wonder if you could not carry this argument into other directions too? A person who is an entertainer does not produce a material product but surely he gives a service that we pay for. Perhaps in relation to some scales of value we pay too much for it. The situation is that we have to pay for the service given by the members of the armed forces, and certainly in any orthodox system of developing national accounts you consider what is done by the armed forces as a service, and we have to evaluate it.

Senator HAIG: You claim that the money we pay to members of the armed forces should be included in national production. I would say mathematically that we could just increase the number of soldiers and instead of having 100,000 we could have a million. Well, then, we would produce a lot more. When we get a little unemployment we could increase the army to two million and so on until we get it up to ten million. Then we would be a rich nation under that system. Russia does not think that. Maybe Russia is wrong but I am scared to death they are not. They are cutting down their armed forces.

Mr. MARSHALL: I would ask you this—

Senator HAIG: Just wait a minute, please. They are cutting down their forces and the only reason they are doing so is that they cannot carry on their other business otherwise. I am persuaded you are completely wrong in that item. You mentioned entertainers. That brings up another point. I am not sure of the facts but it is said that happy people make better workers than unhappy people. People who enjoyed lovely entertainment last night feel more like working today. That is what has been said and that may be true. I know that two nights ago I sat up until 4 o'clock listening to the debates in the House of Commons, and I was not as alert the next day as I would have been had I gone to bed at 11 o'clock. Probably if I had been entertained by lovely music I would have been much better off the next morning. As I say, I sat in the gallery of the House of Commons listening to the debates until 4 o'clock and as a result I was pretty dull the next day. I am not accusing the members of the other house for making me dull. What I want to get at is this. I think your estimates should show just what is produced. I am willing to accept your statement about the work done by people in connection with the products of the mines and forests, and the manufactured articles and the products of the farm.

Senator ASELTINE: Wheat.

Senator HAIG: I knew somebody would say wheat. He admits now there has been a little trouble over wheat because sometimes they put it in and sometimes they take it out, and I thank him for that. But to come back to

my point, I cannot see any reason on earth why you should put in under national production an item that does not produce anything at all. It may produce good will or a feeling of security, but I do not think that enters into it at all. The complaint is that we have not got enough defence protection and that we need more airplanes and things of that nature. I do not pretend to know anything about that at all. I have no judgment in the matter. But I know wheat will grow on the prairies whether we have a thousand airplanes or ten thousand, just as long as we have the right kind of weather in May, June, July and August. The members of the armed forces have nothing to do with that. Fishermen on the Atlantic and Pacific coasts are not concerned with whether the army has 10,000 or 100,000 men. I don't know what the army, navy or air force gives you as far as production is concerned. Do not misunderstand me. I am not criticizing the forces. They are an expense but they are not producers. I want to know why you put it in as a production.

Senator LEONARD: May I just ask a question at this point? Mr. Marshall, when you come to your gross national expenditure under item 1 you show Personal Expenditure on Consumer Goods and Services in 1949 as \$11 billion. Then you show under item 2, Government Expenditure on Goods and Services as \$2.1 billion. I assume these two items are expenditures on intangibles which disappear during the year and do not leave any item of a tangible character at the end of the year. Is that correct?

Mr. MARSHALL: No, not in the case of Government expenditure on goods and services.

Senator LEONARD: Government expenditures do leave a tangible?

Mr. MARSHALL: It has the capital items in it as well as the current.

Senator LEONARD: But a personal expenditure entirely disappears during the year? This statement of gross national expenditure breaks down the national income into two categories. One category consists of intangibles that disappear during the year, such as entertainment or the armed forces, and the second category consists of tangible goods represented by the products of the farm, mine, forest and factory. Is that correct?

Mr. MARSHALL: Not altogether. With respect to Personal Expenditure on Consumer Goods and Services, a consumer might buy wheat and this is not an intangible. There are tangible goods which would be consumed in the same year but when you come to Government Expenditure on Goods and Services, the practice of the Government has been to include capital goods and consumer goods in the one total. But so far as our own records are concerned we do separate these in another table. You could if you wished get out of this book the figures which pertain to the capital expenditures of the Government, and if you wanted to you could deduct them from this item here—Government Expenditure on Goods and Services. I can tell you in addition that because of the interest which has been displayed here in this matter and in other quarters as well, we are just considering whether or not in the future we will show them separately in these main tables. You can get at them through some of the subsidiary tables but it would make it quite clear if we separated them in the main table.

The CHAIRMAN: Mr. Marshall, would you like to deal with Senator Haig's comment now?

Mr. MARSHALL: Senator Haig has a definite point of view on that and all I can say is that we have a different point of view. You see, soldiers after all do get income, and since this statement is made on the basis of earnings and various other factors which include wages and salaries, where else could we put the salaries they receive? It is a logical development to put them in this table. Certainly, I think we must consider that the Army and the Air Force

are performing a service, and we are justified in classifying them as we do; therefore, their remuneration ought to be included in the national accounts.

You argue that if it is true that they are performing a service, then why not have a million of them, and that would increase the gross national product. In reply to that I would say if we had a million men in that field they would take away from our strength in other productive processes in the country. Therefore, those amounts would go down, and would be offset by the million men in the armed forces. We would not gain anything. As a matter of fact, I would ask myself, how could we produce enough goods and services in the country, if we had a million soldiers, to supply our own needs and meet the needs of the soldiers and the Canadian population.

Senator HAIG: One further question. Does Great Britain follow the same method as you do?

Mr. MARSHALL: Yes.

Senator HAIG: And the United States?

Mr. MARSHALL: The same.

Senator HAIG: And any other countries you know of includes the soldiers, sailors and airmen as part of their production?

Mr. MARSHALL: Yes. This is a standard practice recommended by the United Nations.

Senator HAIG: It is all covered in the same way.

Mr. MARSHALL: Yes.

Senator ASELTIME: Even though they don't produce anything in the way of goods?

Mr. MARSHALL: Yes.

Senator BARBOUR: May I ask one question about wheat. When you make up the farm income, say for 1955, and you find you have 600 million bushels of wheat on hand, is that calculated at the current price for that year? If the wheat is not sold for that price, the income would be much less?

Mr. MARSHALL: We value it at the initial price, and when other payments are made they are taken into consideration in the future. I would like Mr. Parker to elaborate on that.

Mr. PARKER: I take it you are talking about making up the cash income statement?

Senator BARBOUR: No, making up the gross national income.

Mr. PARKER: There are two stages to it: First you get your income; and as I explained to Senator Haig the other day, you take your sales from the farm at the initial prices, anything that comes to the farmer that year by way of supplementary payments from the Wheat Board is added en bloc. So, we have whatever the farmer has been able to deliver to the Wheat Board in that particular year as income from wheat, and anything received subsequently by way of Wheat Board payments are added. Of course, from that has to be deducted the farm expenses for operations. Since we do not have the costs for wheat alone, we have to add up all the individual products, hogs and everything else, get the total income, and from that take the total farm expenses. Now we come to the point Senator Haig asked me about. In Western Canada there may be an inventory at the beginning of the year of 300 million bushels, and at the end of the year the farmer may have marketed some, but he has still on hand 400 million bushels. So, we take into consideration the additional 100 million, and value it at the year end price. That is what we put in as change of inventories.



Senator ASELTINE: Take the case of a farmer in Saskatchewan who has some of his 1952 wheat on hand, some of 1953, a good deal of his poor-grade 1954 wheat and all of his 1955 crop. Indeed, that is the general situation in the district I come from; most of the farmers in that area have a portion of their crop for each of those years on hand still unmarketed. In the gross national product for 1955, is all of that grain included?

Mr. MARSHALL: All that is still in storage would not be included. There must be a total inventory estimated for each year, but only the change is taken into consideration.

Senator ASELTINE: But the farmer had not marketed the grain he produced.

Mr. MARSHALL: You were talking about the 1955 crop?

Senator ASELTINE: Yes, I want to know whether you would include in the gross national product in 1955 what I have left over from 1953 and from 1954?

Mr. MARSHALL: Just the changes for each year; if you have an addition, we have to include that, and if you have sold some of the wheat you have on hand, that would be deducted.

Senator ASELTINE: How do you know how much I have sold?

Mr. MARSHALL: That requires an answer in detail.

Mr. PARKER: What was the year in which you were down to a nil inventory position?

Senator ASELTINE: The surplus started to build up in 1952; we got rid of most of our previous grain.

Mr. PARKER: The next year the farmer would sell wheat—and we have those marketings to the Wheat Board—and there would be so much left over at the end of the year. We will say there were 150 million bushels to start with, and 200 million left over at the end of the year; that would mean we would have to add 50 million bushels to that year. In the next year more would be produced, and a quantity would be marketed. At the end of the year the farm inventories would be estimated again and the difference between the inventories of the two years would be entered in the net income statement.

Senator ASELTINE: Do you take into consideration the amount of grain used for seed?

Mr. PARKER: Oh yes.

Senator ASELTINE: And the amount of grain consumed locally?

Mr. PARKER: Yes; these are automatically taken into account by the above procedure.

Senator ASELTINE: How do you get those figures?

Mr. PARKER: The Board of Grain Commissioners marketings are measured at the elevator and published every week; they amount to 250 million or 300 million bushels a year. We have a Bureau survey of stocks. We ask some 10,000 farmers to report the stock on their farms, and from this sample we estimate total farm stocks. We get the stocks for each size of farm in order to reduce the error in estimating.

Senator ASELTINE: In that way you get a pretty good average.

Mr. PARKER: Yes, a pretty good average. With this huge quantity of grain we have in the picture, we may be out 5 million or 10 million bushels one way or the other, but we run a balance sheet year after year and I do not think we are far off. We would of course like to see the farm stocks return to normal levels, because from a statistical standpoint it would be most helpful; we are attempting to measure at present huge quantities, which are



not held equally all over. In District No. 7, for instance, the western part of Saskatchewan, there are hundreds of thousands of bushels, while other districts are cleaned out.

Senator VIEN: How do you distinguish between total production and net income with respect to farm products?

Mr. PARKER: We take away all the expenses for the operation of the farm; we get the value of everything that is sold off the farm.

Senator STAMBAUGH: And you arrive at that conclusion from the returns of these ten thousand you put out?

Mr. PARKER: No, that is just the stocks of grain.

Senator STAMBAUGH: How do you arrive at the amount that is fed?

Mr. PARKER: The same way. And there are other series too. In eastern Canada a lot of feed is bought from dealers.

Senator STAMBAUGH: It would take more than ten thousand farmers to find out the amount that is fed.

Mr. PARKER: We have another 5,000 or 6,000 reporters in other parts of Canada, about 16,000 farm reporters.

Senator ISNOR: Mr. Chairman, I want to support Senator Haig. We do not often agree.

Senator HAIG: I must be wrong sometimes.

Senator ISNOR: And I must be wrong other times.

It strikes me, Mr. Chairman, that item 2, military pay and allowances should either have a cross-entry or it should not be shown under the heading of production. I say that with all due respect to the experts of the United Nations and the policy that is laid down over the years. If there were a cross-entry I could understand it, but if you just have the one item under a credit to production then I fail to understand it for the very reasons outlined by Senator Haig. I think I could stop there, but let us take the matter of insurance. You charge up insurance. It is in the same relation that you charge up military service—protection, if you wish. But insurance is not production, it is just a factor in production, and for the same reason I hesitate to allow my mind to say that that is an appropriate item to include under the heading of production in so far as your figures are concerned. Now, I want to say that that is a layman's point of view, I am not an expert but I am in accord with the thought as expressed and think it should be given serious consideration in the compilation of future records.

Senator ASELTINE: What is the total amount involved, Senator?

Senator ISNOR: I think it is something of the order of 0.1. It sounds very small expressed that way but when you express it in dollars and cents it bulks quite largely.

Mr. MARSHALL: It was \$394 million in 1955, senator.

Senator ISNOR: Yes, and when you think of it in that light it means a big item in our picture of production. I wanted to have my view on this matter before you.

Mr. MARSHALL: I am very much interested to have this point of view. We do not want to get out of step with what the other countries are doing. There is this amount for military pay and allowances. What are we going to do with it if we adopt this concept of adding up all the earnings from various sources? However, we will be very glad when we have more of these discussions on national accounts to bring up this other point of view. Perhaps Mr. Goldberg might have a few words to say on this point.

Mr. S. A. GOLDBERG (*Assistant Dominion Statistician*): Mr. Chairman, first of all I would like to add, if I may, to what Mr. Marshall has said, that when it comes to certain items in our calculation of national production, especially the service area, there is room for differences of opinion, but the statistician must take an objective approach and a standard which he must use is the community's decision as to what is a service or not. Now, so long as a community pays for soldiers services we have no choice, no matter what our personal opinions might be, but to include this with services. This is the first point I would like to make, that we have to be objective. You and I in our private capacities may have certain personal points of view but as statisticians we must take the standards of the community; our guide is the expression of the community through the market—whether the community is willing, to pay a price for it, and in some situations, Senator Haig, it may very well be that there are 100,000 or 1 million more than there are now. As a matter of fact we all can look back 10 or 15 years to a time when we had a larger number of soldiers; in that particular situation the community put a big price on this particular service.

The second point I would like to make is that this \$394 million is a total figure of payments to all people enlisted in the armed services, and I think we should keep in mind that a lot of these people work as repairmen, as technicians and so on, the same as in private industry. Now it seems to me that it would not be logical, if we could do it, on the one hand to take these repairmen and say they are not producing a service, and when it comes to other areas in the economy to say they are producing a service, and so it is for this reason also that I have to defend our present practice.

There is a third point: when it comes to setting up an accounting system, I think this is true in private accounting as well, you have to agree on certain conventions. There is room for disagreement. Some experts will say they like it one way, another group of experts will say we prefer it the other way, but as national statisticians what we have to try to do is to satisfy as many points of view as possible. We try to do this by providing details in our accounting system so that a person who has another point of view can adjust our totals to his particular point of view. That is the reason why we show separately as item number 2, military pay and allowances. If anybody wishes to deduct this item from the total of gross national product and expenditure he can do so. We show other items of detail precisely because we do not want to be rigid about this, but to enable people who have other points of view to adjust the figures to meet their particular requirements or views.

Senator ISNOR: Mr. Chairman, I do not want to pursue this further other than to have a clear picture of it.

The CHAIRMAN: You are getting some results.

Senator ISNOR: Yes.

Senator Haig mentioned about the recent change in policy so far as Russia is concerned. That country has taken, if I remember the figures correctly, 1,500,000 soldiers from their standing force and have returned them to agriculture and industrial life. Now, at the end of a period of say one, three or five years will not those 1,500,000 workers produce more in the real sense of production than if they were still in the armed forces?

Mr. MARSHALL: They will certainly produce material goods.

Mr. GOLDBERG: They will certainly produce material goods, but there are services as well, senator.

Senator HAIG: In regard to the picture for soldiers, sailors and airmen: what does it cover,—salaries and wages?

Mr. GOLDBERG: Wages and salaries of people who are enlisted.

Senator HAIG: It covers the salaries of wives and children?

Mr. GOLDBERG: Yes, it covers allowances.

Senator HAIG: If a soldier is in Germany and his wife and nine children are with him, you include all that under "production"?

Mr. GOLDBERG: Yes, as part of the soldier's salary.

Senator TURGEON: I am just afraid there is going to be a very serious misconception of this department in the minds of the public, particularly with respect to the thought not only as to production of those in the armed services, but as to the service itself. The very fact that one of the questions asked was, "Would not these men, if taken from the armed services' work and put into some other business, produce more than they produced in the army?" needs clarification. I am thinking of the statisticians. That naturally implies production in the army; if the same man can produce more doing some other work, he must be producing something now. As was said a little while ago, there would not be any question during the war as to whether the armed forces were producing or not. There should not be any more question when there is not a war, but simply fear that there may be a war. I am just a little worried over this whole debate on this question of so-called national production, because if it is argued that it is weak in applying to a certain group, it is just as weak in regard to some other group that it must be applied to.

Senator HOWDEN: I do not see any confusion at all, Mr. Chairman. The armed forces are maintained for the purposes of defence. That is what we are paying them for. That is what we are feeding them for. And it appears to be appropriate to the rulers and to the people of the land to have armed forces for this purpose. There is no doubt about it that that is the meaning of an army. The army is to protect us.

The CHAIRMAN: Have you a question, Senator Isnor?

Senator ISNOR: I think I do not wish to follow it further, except to correct any misapprehension as far as Senator Turgeon is concerned. I don't think anybody who has spoken on this item had any thought of taking away the protection we have from the armed services.

Senator TURGEON: I realize that; and I had not that in mind.

Senator ISNOR: The main question is where this item should be placed. I think that is the whole purpose of the discussion.

Senator STAMBAUGH: Does "military pay and allowances" include all civilian employees of the army, or just the enlisted men?

Mr. GOLDBERG: "Military pay and allowances" would not include anything a civilian got. It would only include pay of the people who were actually enlisted in the armed services.

Senator STAMBAUGH: Of course, in all these army camps, there are eight or ten civilians to one soldier.

Mr. GOLDBERG: Frequently they do similar work.

Senator STAMBAUGH: Then the salaries of civilian employees would be in first item?

Mr. GOLDBERG: That is right, sir, with wages and salaries.

Senator HAIG: Let us be sure that is correct. Are not the people who do nothing but work for the soldiers included in the soldier pay?

Mr. GOLDBERG: No. People who work in the Department of National Defence with files—

Senator HAIG: There are about 40,000 persons employed in the armed services as civilians. They do not do anything but work for the armed services,



maybe at books, and different things of that kind. Are they charged to the armed services or charged independently?

Mr. LEACY: They are not included in "military pay and allowances".

Senator HAIG: They are not included in the army pay?

Mr. GOLDBERG: No—in "wages, salaries and supplementary labour income". We include the pay a civilian gets if he works for the army as a civilian with "wages and salaries".

Senator HAIG: All right.

Senator LEONARD: I am interested in ascertaining how far this statement shows an increase of wealth as a result of our national product in the year. Take the figures for 1949 which we have in front of us. Out of this \$16 billion of national income, how much new wealth in the form of either capital goods or consumers goods did we have at the end of the year. I take it that items 3, 4, 5 and 6 of the gross national expenditure showed the new wealth that was created during the year, and that we had on hand at the end of the year. We got \$700 million of new residential construction, \$900 million of new non-residential construction, \$1,300 million of new machinery and equipment, and \$200 million more of inventories. Was that all the new wealth that we had at the end of the year, or is there some other new wealth in the other items?

Mr. GOLDBERG: You are right in large part, senator—that the items you pointed to are the wealth, substantially the wealth that remains from the year's production. But it is not a complete picture. If you want to get at the picture that you are looking for we have a separate table which has not been distributed this time, but which has been distributed before. I can make it available to you. I would like to say a word about that table. It is called "Savings and its Disposition". The total savings is the wealth that remains from the year's production for subsequent periods, for the future. Now this table, on the one hand, gives you the figure of gross domestic investment, precisely the items you have listed. In addition, it shows that, for example, 1954, gross domestic investment—

Senator LEONARD: Take 1949.

Mr. GOLDBERG: I have not got the figures for 1949 here. I would like to take the figures for 1955, if I may. The figure for gross domestic investment was \$5,268 millions. Out of this about \$651 millions was financed by non-Canadians, by non-residents; so the Canadian savings is the \$5,268 millions minus the \$651 millions, adjusted for a small error, and the grand total amounted to \$5,199 millions for 1955. So, as I say, you are substantially correct, but there are certain adjustments which have to be made in order to get a complete picture; and if you are interested I can send you that table.

Senator LEONARD: Does that include the Government expenditures on new tangible wealth left at the end of the year?

Mr. GOLDBERG: No sir. It includes Government business enterprise, but not general Government.

Senator LEONARD: For example, Government expenditure on public buildings?

Mr. GOLDBERG: No, sir.

Senator LEONARD: In these accounts it is still treated as if it was used up?

Mr. GOLDBERG: Yes. May I add something to this, Mr. Chairman? Although in this main table from which I have been reading the Government expenditure on durable assets such as you have mentioned do not appear, we do have the detail of such Government expenditures in another table. Therefore, if somebody wants to get at this information he can do so.



Senator LEONARD: Just one further question. You gave us a figure of approximately \$5,200,000,000 for 1955 as the gross investment during that year. Would you give me the comparable figure for your total national income for 1955?

Mr. GOLDBERG: May I suggest, sir, that the gross national product would be the comparable item because the investment is calculated as gross before the deduction of depreciation.

Senator LEONARD: You are correct.

Mr. MARSHALL: The figure is \$26,624,000,000.

Senator LEONARD: So out of the amount of \$26,624,000,000 of gross national product we have a gross investment left at the end of the year of approximately \$5,200,000,000?

Mr. LEACY: Not left but added.

Mr. GOLDBERG: I notice that I have to make an additional correction. The \$5,268,000,000 that I have given applies only to new houses, plants and equipment. In addition there is the increased inventory, amounting to \$450,000,000. This has to be adjusted down with respect to non-residents. The total saving excluding Government expenditure on durable assets during that year was, as you said, \$5,199,000,000.

Senator LEONARD: And the difference between the two, which is roughly, \$20 billion to \$21 billion, represents what has been used up during the year in the form of services and goods consumed?

Mr. GOLDBERG: Substantially that is the idea, but when it comes to measurement we cannot be as precise as this. The only thing we can do is classify certain goods as consumer goods, and certain goods as investment goods. Some of the goods which are classified as consumer goods are durable goods such as refrigerators and stoves, which individuals use. So these durable consumer goods, although they are treated as consumption during the year, in fact remain over a period of time; but the large bulk of the components within the total of personal expenditure and consumer goods and services are goods and services used up during the year. In addition there are the government expenditures on durable assets which remain.

Senator LEONARD: Thank you.

Senator HAIG: I think we can thank the witnesses for having come here, Mr. Chairman.

The CHAIRMAN: Yes. When I asked Mr. Marshall if he would appear before the committee he told me that he could not tell us anything, that he did not know much about it because he was the administrator. But I want to tell him how satisfied we are with his presentation. I am sure that members of the committee, like myself, have a much clearer picture of this whole thing. Mr. Marshall, I want to thank you and your colleagues for having come here today and for having done such a good job.

Mr. MARSHALL: We are very glad to be of any help, and if there is anything further we can do by way of memoranda we will be only too glad to do so.

The meeting was adjourned until the call of the chair.

## APPENDIX E

## COMPARISON OF CONSUMER PRICES AND AVERAGE WEEKLY WAGES

ANNUAL AVERAGES FOR CANADA, 1952-1955

(Prepared by Labour &amp; Prices Division, Dominion Bureau of Statistics)

	Average Weekly Wages in Manufacturing	The Consumer Price Index (1949=100)
1952 .....	53.62	116.5
1953 .....	56.09	115.5
1954 .....	57.16	116.2
1955 .....	59.25	116.4

*Note*—Wage averages shown above have been calculated from payroll data for hourly rated employees of manufacturing establishments. These figures represent gross earnings before any deductions, e.g., for taxes or security benefit plans. Both the wage averages and the Consumer Price Index are published in the Dominion Bureau of Statistics' monthly reports "Man-Hours and Hourly Earnings" and "Prices and Price Indexes."

## APPENDIX F

TABLE 1. National Income and Gross National Product, 1949

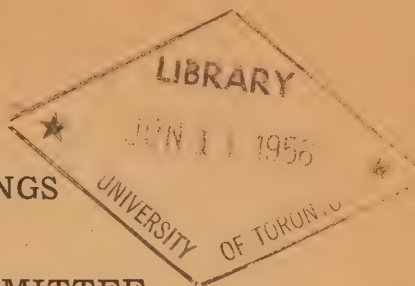
No.	Billions of dollars
1. Wages, Salaries and Supplementary Labour Income .....	7.8
2. Military Pay and Allowances .....	.1
3. Investment Income .....	2.4
Net Income of Unincorporated Business:	
4. Accrued Net Income of Farm Operators from Farm Production .....	1.5
5. Net Income of Non-farm Unincorporated Business .....	1.4
6. Net National Income at Factor Cost .....	13.2
7. Indirect Taxes less Subsidies .....	1.8
8. Depreciation Allowances and Similar Business Costs .....	1.4
9. Residual Error of Estimate .....	—
10. Gross National Product at Market Prices .....	16.5

## Gross National Expenditure, 1949

No.	Billions of dollars
1. Personal Expenditure on Consumer Goods and Services ..	11.0
2. Government Expenditure on Goods and Services .....	2.1
Gross Domestic Investment:	
3. New Residential Construction .....	.7
4. New Non-Residential Construction .....	.9
5. New Machinery and Equipment .....	1.3
6. Change in Inventories .....	.2
7. Exports of Goods and Services .....	4.0
8. Deduct: Imports of Goods and Services .....	-3.8
9. Residual Error of Estimate .....	—
10. Gross National Expenditure at Market Prices .....	16.5

Canada, Finance, Standing Committee,  
on (Senate), 1956.  
1956  
THE SENATE OF CANADA

Government  
Publications



PROCEEDINGS  
OF THE  
STANDING COMMITTEE  
ON  
**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957

No. 9

THURSDAY, MAY 24, 1956

The Honourable C. G. HAWKINS, *Chairman*

WITNESS

Mr. K. R. MacGregor, Superintendent of Insurance.

APPENDICES

- G—Disposition of Saving.
- H—Selected items of Consumer Expenditure.
- I—Comparative Table of Annuity Premiums—Government, Canadian  
U.S. and U.K. Companies.
- J—Total Annuity Consideration Received by Life Insurance  
Companies in Canada.
- K—Relative Volume of Annuity Business in Canada.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956.



## STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, Chairman.

### The Honourable Senators

Aseltine	Fraser	Paterson
Baird	Gershaw	Petten
Barbour	Golding	Pirie
Beaubien	*Haig	Pratt
Bouffard	Hawkins	Quinn
Burchill	Hayden	Reid
Campbell	Horner	Roebuck
Connolly ( <i>Halifax</i>	Howden	Smith
<i>North</i> )	Isnor	Stambaugh
Connolly ( <i>Ottawa West</i> )	Lambert	Taylor
Crerar	Leonard	Turgeon
Dupuis	*Macdonald	Vaillancourt
Euler	McKeen	Vien
Farris	Molson	Woodrow—39.

50 Members (Quorum 9)

\* Ex officio member

## ORDER OF REFERENCE

*Extract from the Minutes of the Proceedings of the Senate*

WEDNESDAY, February 15, 1956.

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such a total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

J. F. MACNEILL,  
*Clerk of the Senate.*



## MINUTES OF PROCEEDINGS

THURSDAY, May 24, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators Hawkins, Chairman; Barbour, Beaubien, Burchill, Connolly (*Halifax North*), Crerar, Golding, Haig, Howden, Isnor, Molson, Stambaugh, Taylor, Turgeon and Woodrow—15.

*In attendance:* The official reporters of the Senate.

Consideration of the order of reference of February 15, 1956, was resumed.

The following documents, referred to by the Chairman, were ordered to be printed as appendices to these proceedings:—

G—Disposition of Saving.

H—Selected Items of Consumer Expenditure.

Mr. K. R. MacGregor, Superintendent of Insurance, was heard.

The following documents, submitted by Mr. MacGregor, were ordered to be printed as appendices to these proceedings:—

I—Comparative Table of Annuity Premiums—Government, Canadian, U.S. and U.K. Companies.

J—Total Annuity Consideration Received by Life Insurance Companies in Canada.

K—Relative Volume of Annuity Business in Canada.

On motion of the Honourable Senator Haig, it was resolved to report recommending that authority be granted for the printing of 1,000 additional copies in English and 200 additional copies in French of the final report of the Committee.

Further consideration of the order of reference was adjourned.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,  
*Assistant Chief Clerk of Committees.*





## THE SENATE

### STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, May 24, 1956.

### EVIDENCE

The Standing Committee on Finance, which was authorized to examine the Estimates laid before Parliament for the fiscal year ending March 31, 1957, met this day at 10.30 a.m.

Senator Hawkins in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum: it is 10.30 a.m.; and I will ask you to come to order.

You will recall that at the last meeting of the committee Senator Leonard asked Mr. Marshall in connection with the gross national product and the net national income, what was the increase in wealth between the two; and he gave a statement "off the cuff", which he has revised a bit and has submitted to us. Perhaps it had better be placed on record as an appendix to the proceedings.

Senator HAIG: Is it very long?

The CHAIRMAN: No, but it is a rather complicated thing to read; I mean, to get any understanding of it.

Senator HAIG: I move that it be printed as an appendix to the minutes today.

Hon. SENATORS: Agreed. (*See Appendix G*)

The CHAIRMAN: Last year there was submitted as an appendix of the report a list of selected items of consumer expenditure, including alcoholic beverages, tobacco in various forms, racetrack betting, soft drink beverages of all kinds, commercial recreation. That was for 1952-53 inclusive. For the purpose of comparison I have a report from the Bureau for 1953-54. It shows exactly the same figures for the two years, namely, \$1,803 millions. You will notice the items I have mentioned are largely luxury and recreational. Would it be the wish of the Committee that it be printed as an appendix to today's proceedings?

Senator HAIG: I have no objections.

The CHAIRMAN: A similar report was included in last year's record of the committee. That is the reason I got the information.

Senator HAIG: From the department?

The CHAIRMAN: Yes.

Senator HAIG: Well, it would be a good idea to put it in.

Senator TURGEON: I so move.

Hon. SENATORS: Agreed. (*See Appendix A*)

Senator CRERAR: Although a lot of people complain how hard up they are, this indicates how much is spent on luxuries. Take Winnipeg, for instance; \$60 thousand to \$70 thousand is spent on tickets at football games any one night, and who are the people who go? A good many who, if they were out of work for two weeks, would be "strapped".

Senator HAIG: Another point is that exaggerated statements are always being made about these things, and here is an official statement which settles the matter.

The CHAIRMAN: Yes, it is an official record, and although it relates to a selected group, it has to do with recreational expenditures.

We have with us this morning Mr. MacGregor, of the Department of Insurance, and Mr. Humphreys. I will ask them to come forward now, please.

You will recall that at our seventh meeting we had before us Mr. Gregg in connection with Government annuities, and he had several witnesses with him. It was the feeling of the steering committee that in order to complete the evidence in connection with Government annuities we should call the Superintendent of Insurance, Mr. K. R. MacGregor. Consequently we have Mr. MacGregor with us here today. I do not know whether he has prepared a statement.

Mr. MACGREGOR: No sir, I have not.

The CHAIRMAN: I think, then, we had better proceed to question Mr. MacGregor. You will recall that one of the things we were very anxious to find out was the relative comparison between the cost of Government annuities and the cost of annuities sold by various insurance companies. We could not get that information from the Department of Labour, or at least we did not get it from them. That was one of the reasons we decided to call Mr. MacGregor. The meeting is open for questions.

Senator HAIG: I think the maximum annuity from the Government service is \$1,200. How does that compare with a similar annuity from a life insurance company, first of all as to the man who is buying the annuity?

Mr. K. R. MACGREGOR (*Superintendent of Insurance*): I think, Senator Haig, we might perhaps consider first what are known as immediate annuities.

Senator HAIG: All right.

Mr. MACGREGOR: That is to say, an annuity paid for by a lump sum beginning one year hence. Taking first a male life at the age of 50, the Government annuity rate for an immediate life annuity of \$100 per annum payable annually, the first payment at the end of the first year, is \$1,579. Compared with that, the rates in four Canadian companies are: for Company "A" \$1,748; for Company "B" \$1,727; for Company "C" \$1,722, and for Company "D" \$1,787. If I might interject, Mr. Chairman, I have five or six copies of these rates which I am quoting. I have not one for each member of the committee but I could pass around the ones I have.

Senator CRERAR: We could have the list put on the record. Would there be any objection?

Mr. MACGREGOR: None whatsoever. (*See Appendix I*)

Senator CRERAR: What do you say the Government annuity costs?

Mr. MACGREGOR: \$1,579. That is at the age of 50.

Senator CRERAR: And the nearest to that?

Mr. MACGREGOR: The rates charged by the four representative companies I have mentioned run in the \$1,700's, the lowest being \$1,722.

Senator TURGEON: What age would the applicant be when making application?

Mr. MACGREGOR: Age 50. It is the lump sum required to purchase an annuity of \$100 per annum at the age of 50.

Senator CRERAR: Have you other similar examples?

Mr. MACGREGOR: United States companies operating in Canada generally charge higher rates than the Canadian companies. I might give examples for two United States companies at the same age, 50. The rate charged by one for a similar annuity is \$2,001, and by the other company it is \$2,017. At the same time, one British company operating in Canada charges a very favourable rate. This company has specialized in life annuities for many years.

Senator CRERAR: The explanation of that, so far as the United States is concerned, is that the interest earned on securities is lower than it is in Canada?

Mr. MACGREGOR: Generally speaking, that is the reason, and they use the same rates as in the United States. It may be tedious to quote all of these rates, but I shall be glad to do so if you wish. I have them for ages 60, 65 and 70, and for females as well. If it is the wish of the committee I will place these specimen rates on record, but perhaps for the present I might simply quote to you the ratio per cent that these company rates bear to the government annuity rates in general; it would give the committee a broader picture of the relative levels of the rates charged by the companies and by the Government. Going back again to the example I mentioned a moment ago, for male lives, age at issue 50, the rates of the Canadian companies vary from 109 to 113 per cent of the government annuity rate. At age 60 they vary from 107 to 112 per cent. At age 65, from 106 to 111 per cent. At 70, from 105 to 110 per cent. In general the U.S. rates vary overall from 117 per cent to 128 per cent, that is to say, over the range between age 50 and 70. The rates charged by the British company vary from 104 per cent to 107 per cent. Broadly speaking the ratios are about the same for female lives as for male lives.

Senator HAIG: What about the person at 45, 50 and up who pays so much a month until his death?

Mr. MACGREGOR: For a deferred annuity, where one begins to purchase at age 30, say, the annuity beginning at, say, age 65 a male, or 60 a female—

Senator WOODROW: Before that, Mr. MacGregor, could you tell me if the benefit derived from an annuity policy at death is the same in the case of an annuity bought from a company as one bought from the government?

Mr. MACGREGOR: So far as the benefits under immediate annuities are concerned they are the same with perhaps this exception, that the annuities bought from a company may be attached, whereas under government annuities they are inalienable, but that does not affect the amount of the benefit—they are comparable.

To answer the question that Senator Haig raised, it might be best to quote the rates for group annuities, since that is one of the most popular forms sold today. Here are the group single premiums for a deferred annuity of \$1 per month guaranteed for five years certain and life thereafter, with return of premium and interest in the event of death during the period of deferment. I quote rates on this basis because that is the particular plan upon which all, or practically all, group annuities are sold by the government Annuities Branch (*See Appendix I*)

Senator HAIG: Thank you.

Mr. MACGREGOR: For male lives, assuming that the annuity vests or begins at age 65, the government annuity rates for ages 20, 30, 40, 50 and 60 are, respectively, \$29.39, \$41.45, \$58.47, \$82.48, and \$116.34.

I think it would be easier if I quoted the relative company rates in percentages rather than in dollars. For one Canadian company, their rate at age 20 is 121 per cent of the government annuity rate; at age 30, 117 per cent; at age 40, 113 per cent; age 50, 109 per cent; and age 60, 105 per cent.

Senator CRERAR: This is for what benefits?

Mr. MACGREGOR: It is the single premium.

Senator CRERAR: What does it buy?

Mr. MACGREGOR: If paid at the ages of purchase which I mentioned it buys a pension or annuity of \$1 per month beginning at age 65.

Senator CRERAR: That is \$12 per year.

Mr. MACGREGOR: Yes, payable monthly.



Senator CRERAR: And I suppose if it were \$5 a month, the rate would be five times that which you have given us?

Mr. MACGREGOR: That is correct.

Senator CRERAR: The unit you take is an effective measuring rod as high as they go?

Mr. MACGREGOR: The rates for the larger annuities would be in direct proportion to the rates I quote. In other words, company rates vary from 5 per cent to 21 per cent more than government annuity rates, in that particular company. In another Canadian company the rates vary from 5 per cent to 22 per cent more, being almost exactly the same.

Senator CRERAR: That is from 105 to 122 per cent.

Mr. MACGREGOR: Yes.

For females, the company rates for a similar annuity beginning at age 60 rather than 65, (females generally retire earlier)—and speaking of these two Canadian companies, which I think are representative—vary from 8 per cent to 24 per cent above government annuity rates.

There are of course many factors to be considered in comparing rates, because company rates must of necessity include a sufficient margin to cover all of their expenses and to provide some hope of a slight profit.

Senator CRERAR: Are there any mutual companies, such as the Mutual Life of Canada, selling annuities?

Mr. MACGREGOR: Yes, they all do.

Senator CRERAR: The element of profit does not come in there, does it?

Mr. MACGREGOR: Not to the same extent.

Senator CRERAR: There would be policy holders to share the profits?

Mr. MACGREGOR: If there were any profits, they would be shared with the policy holders; but most annuities are sold on a non-participating basis. The fact is that the companies over the years have made very slim profits out of their annuity business, and some have from time to time experienced losses. It is a very hazardous kind of business to transact; most of the ingredients in it are weighted against the company.

The three most important ingredients in premium rates for annuities are of course, first, the rate of interest assumed to be earned in the future, second, the rate of mortality likely to be experienced in the future, and third, the expenses that are likely to be experienced.

For a great many years, more particularly between the '30's and the late '40's, interest rates were continually falling with the result that if companies had issued annuities on the assumption of, say, an earning rate of 4 per cent, and they were actually earning only  $3\frac{1}{2}$  per cent or less, they were bound to suffer some loss as against their original assumption in computing their premium rate. Looking at mortality, it has in general been improving continuously and of course, in the annuity business that is an unfavourable aspect because if people live longer they receive more.

Senator CRERAR: It is the same with old age pensions.

Mr. MACGREGOR: That is correct.

Moreover, expenses have been tending to rise rather than to decline. On all counts, therefore, the annuity business is a very hazardous business and it has not, by and large, proved to be a money maker or even reasonably profitable to the companies.

Senator CRERAR: Over a long period of time interest rates will probably average up fairly well, will they not?

Mr. MACGREGOR: The degrees of hazard, Senator Crerar, in issuing annuities varies with the kind of annuity. Naturally if these elements tended

to become more favourable as time goes on the element of risk would be less but they have generally combined in an unfavourable way. If one sells an annuity that is payable immediately, the duration of payment is not going to be so long; if one sells immediate annuities at ages 50 or 65, the company may only pay the annuity over the next 15 or 20 years, but if a company or the Government or anyone else sells annuities at ages 20 or 25 or 30, beginning, however, at ages 60 or 65, that is, 30 or 40 years hence, and then payable for a term of perhaps 15 or 20 years, one is taking a very long gamble into the future.

Senator BURCHILL: I quite agree.

Senator CRERAR: Would it not be possible for the company selling annuities to adjust their rates to meet the lengthening span of life?

Mr. MACGREGOR: The companies, Senator Crerar, have in the past 20 years adjusted their rates many times. One of the largest companies began in the late twenties to assign letters to their scale of rates. Their first set of group annuity rates was lettered "A". Then they adopted a new scale, "B". I recall in the 1930's they were up to scale "J", within a relatively short time, and that same company is now at scale "Q". In other words they have nearly gone through the alphabet in adjusting their rates in the last thirty years.

Senator GOLDING: About what year did the companies go into the business of selling annuities?

Mr. MACGREGOR: Life insurance companies have for a very long time, Senator Golding, offered annuities, but back in the days when the Government annuity scheme was started, that is to say in 1908, they were issuing very few. The facilities offered by the companies at that time were not comparable at all with the facilities available in companies today. When the Government annuities scheme was started in 1908 conditions in the insurance field were very different from what they are today. Looking at the companies: there had been an investigation in the United States of America into the conduct of the life insurance business, in 1905—the Armstrong investigation—and that prompted a similar royal commission in Canada in 1906. I think it might be admitted that in 1906 the industry was not providing the facilities or carrying on business in the highly reputable way that they have been almost ever since. There is no question that the royal commission here in 1906 did an immense amount of good.

Senator CRERAR: There is no doubt about that.

Mr. MACGREGOR: There may have been at that time some question in the minds of some people whether they wanted to put their money in the life insurance companies or not. Some persons might have preferred the security of the state. In any event the facilities available for the purchase of annuities were very meagre. There was of course, no old age pension scheme of any kind in force at that time; and if one reads the speeches of Sir Richard Cartwright—who, I think, was the author of the Government annuities scheme—it is pretty clear that his main hope was to encourage thrift amongst the daily wage earners, but all with the hope of heading off any need for old age pensions. The latter was his real objective but it must be very doubtful whether that objective was ever attained even in a small way.

Senator WOODROW: In connection with an application for an annuity, is any medical examination or medical history required that would place a Government annuity on the same basis as that of a private company?

Mr. MACGREGOR: Medical examinations are not usually required, for the simple reason that if a person is not in good health it is he who assumes the

extra hazard rather than the company. It is very rare indeed that companies issue annuities to substantial lives at a more favourable rate. It is very rarely done.

Senator ROSS: Has the Government annuity scheme been carried on at a loss or profit during all these years?

Mr. MACGREGOR: Oh, I think there can be no other answer to that, senator, than, at heavy loss.

The CHAIRMAN: We have had evidence to that effect, from the Department of Labour.

Mr. MACGREGOR: I do not think I answered fully a question that was asked about the extent to which companies have been offering annuities, and the trend of the volume of that kind of business.

The volume of annuities issued by the companies up to the 'twenties was relatively small. I have with me the consideration received year by year since 1935, if it would interest the committee. (*See Appendix J*). One can see from the trend of these figures how the business has grown. In 1935 the consideration—that is, the premiums—received by all companies in Canada, Canadian, British and foreign—but as respects Canadian companies, only with reference to their annuities in Canada, not elsewhere—was \$7,982,574. Since then, year by year, the annual income of the companies has been, in round millions, successively, beginning with 1936: \$9, \$12, \$14, \$14, \$14, \$16, \$15, \$17, \$22, \$28 (in 1945), \$39, \$42, \$46, \$53, \$59 (in 1950); then, \$82, \$72, \$83, \$95, and in 1955 it was \$106 millions.

During the late 'thirties, in particular, when interest rates were falling, Government annuities were still being sold on a 4 per cent basis. So that for several years, beginning about that time, the Government annuity rates were much more favourable than company rates, and most people who wanted to buy annuities went to the Government first. In fact, the difference between the rates was so great that most life insurance agents did not feel justified in attempting to sell their own annuities to prospects until those prospects first bought up to the Government limit of \$1,200 a year. That situation obtained by and large until about 1948. It is true that in 1936 Government annuity rates were increased by a flat arbitrary amount of 15 per cent, but they were still very much below company rates. In 1938 the mortality basis of Government annuities was strengthened but the interest basis was still left at 4 per cent, and the interest basis had more effect than the mortality basis. The interest basis of Government annuities was not reduced from 4 per cent until 1948, when it was cut to 3 per cent, so that until 1948, if anyone wanted to buy an annuity, he looked to the Government first because it was there that he could obtain a bargain in comparison with company rates.

Since 1948 the annuity rates have in general been somewhat below company rates, one reason, of course, being that there is still no margin for expenses in Government annuity rates. The interest and mortality assumptions in Government annuity rates have, since 1948, been a great deal more realistic than they were prior to 1948.

Senator HACKETT: May I ask Mr. MacGregor if there are any insurance companies that sold annuities at a lower rate than the Government before 1948?

Mr. MACGREGOR: There may have been, Senator Hackett. I cannot recall any. I may say this, that there has been one British life insurance company that has issued annuities in Canada at very favourable rates for quite a long time, and even at the present time their rates are not much above Government annuity rates. There are perhaps several reasons underlying the policy of that British company. It started business in Canada a century ago but it became relatively dormant until about twenty-five or thirty years ago. It was interested in the annuity business and it has made investments yielding a very favourable



return, a large proportion being in mortgages and common shares. The company at home is in a very strong position. British income tax is another factor that enters the picture. The system of taxing British insurance companies is such that they may obtain a certain advantage through the sale of annuities at a very narrow margin.

Senator HACKETT: It is my recollection that before the Workmen's Compensation Act came into effect in the province of Quebec there were a few companies that sold annuities for less money than the Government. Witnesses were always introduced by the defence to establish what was the claim in dollars that had to be paid. Now, that has ceased and I did not know whether it was because their authors were actuarially unbiased or unsound or whether the department had investigated the matter for them and had found they were not making strap and buckle meet.

Mr. MACGREGOR: The only company I can recall that might have been issuing annuities at the Government annuity level or perhaps, in isolated instances, slightly below, was the one British company that I mentioned. While that company's rates are still more competitive than other companies' rates, they are now, I would say, on the average 5 to 7 per cent above Government annuity rates, which in the main represents about the expense margin assumed by the companies. Most company rates on the single premium basis are loaded about 5 per cent, but some may be 6 per cent.

Senator HAIG: What you are actually saying to us is that if the Government Annuities Branch had to pay the cost of handling their business, and if they had to pay losses where they sold annuities at too cheap a rate on account of interest, they would have to charge a higher rate in order to balance their budget?

Mr. MACGREGOR: Yes, Senator Haig. I do not think there is any question that in the past Government annuities have been sold at a loss even apart from expenses.

Senator HAIG: We were given the figure of \$30 million.

Mr. MACGREGOR: There are substantial losses yet to be experienced because there is a large volume of business that was sold on a 4 per cent basis and on very favourable mortality assumptions judged by present-day standards. Many of these contracts have not yet matured. Moreover, prior to 1948 all or nearly all Government annuities included a clause that really permitted the holder to pay only a token amount on his annuity contract but guaranteed him the right to buy up to the full maximum years hence.

Senator HAIG: That is correct, and these are still in existence.

Mr. MACGREGOR: Oh yes, there is a large volume of such annuities still on the books.

Senator MOLSON: Would an insurance company not have reserves set up?

Mr. MACGREGOR: An insurance company would never issue a contract with a provision of that kind. It is really less an annuity contract than a contract to issue or enter into an annuity contract years hence but at a guaranteed rate established at the outset.

Senator MOLSON: I was referring to the contracts issued at the higher interest rate. In the case of an insurance company presumably there would have been some liability set up, some reserve, would there not?

Mr. MACGREGOR: Yes.

Senator MOLSON: Whereas here it is only brought in year to year as the contracts mature. Is that correct?

Mr. MACGREGOR: Yes. There is a difference in the valuation procedure followed by the Annuities Branch and by companies generally in that respect.



The Annuities Branch in valuing their deferred annuities, I believe, simply accumulate the amount that has actually been paid year by year at the interest rate assumed when the contract was issued, but they do not make provision for the loss that will be experienced after the annuity vests until such time as the annuity begins. That gives rise to the transfers they are now making annually in respect to annuities that have matured.

Senator HAIG: Let us suppose that in 1924 I took out annuity policies on my children and I made payments for the first two years and then stopped making them. As I understand it I can now pay up the balance owing plus 4 per cent.

Mr. MACGREGOR: That is quite correct.

Senator HAIG: And I can get under the new rate. That is what influences more people than you can imagine to buy annuities in that way.

Mr. MACGREGOR: The holder of a contract of that kind preserves his right to buy at some future date his annuity on a rate basis that was in use years back.

Senator HAIG: The Winnipeg School Board bought pensions for half their teachers in that way. If a teacher had taught two years he had the right to a pension and he paid so much out of his salary to the School Board. When he resigned or was dismissed the School Board handed the annuity contract with the Government over to him. He may have made only two or three payments. These teachers are now starting to pay up on some of these contracts. I happen to know this.

Mr. MACGREGOR: I believe that clause was inserted in the contract until 1948.

Senator WOODROW: Would you discuss some of the so-called loss? For instance, you have been speaking about interest rates on a declining basis. Now, as you know in many cases the interest rates go higher. Now, it will probably be five or ten years before you adjust your 4 per cent rate upward to follow the interest rate trend. During that period you recover some of the so-called loss you had incurred previously.

Mr. MACGREGOR: That is true to a certain extent. In practice companies do have to take a long look forward, of course, and they do from time to time—and these days fairly frequently—revise the rates. Mortality is, of course, the other important element apart from interest.

Senator WOODROW: Oh, yes.

Mr. MACGREGOR: More and more companies now are attempting to forecast what the lower level of mortality will be ten, twenty years hence, and to make some allowance for the secular trend, as it is called.

Senator BURCHILL: On that matter of interest rates I understood you to say that the basis at the present time is 3 per cent on Government annuities?

Mr. MACGREGOR: No, Senator Burchill, it was reduced from 4 per cent to 3 per cent in 1948, but it was increased in 1952 to 3½ per cent at which level it is now.

Senator BURCHILL: As the interest rates go up a company would participate in those by their investments. The Annuities Branch would have to follow that along. I am thinking you would have to follow the trend long in order to credit the fund with current rates, in order to give the fund a break. I mean to say, if your basis is only worked on 3½ per cent, and the current rate today is 4 per cent, the fund does not correctly reflect, and it is just a matter of book-keeping.

Mr. MACGREGOR: That is right. The amount credited to the fund—

Senator BURCHILL: That has to be adjusted to give a true picture?

Mr. MACGREGOR: That is right. The amount credited to the fund, I believe, is the rate assumed in the contract; that is to say, for contracts issued before 1948, 4 per cent; for contracts between 1948 and 1952, 3 per cent; and for contracts since 1952, it is  $3\frac{1}{2}$  per cent, regardless of the rate actually prevailing.

Senator BURCHILL: Thank you.

Mr. MACGREGOR: I think it is probably unnecessary to mention that our main function in the Department of Insurance is to supervise the companies, and we have had no official responsibility for the operation of the government annuities scheme, which is administered by the Department of Labour.

Senator CRERAR: What about rates or mortality tables?

Mr. MACGREGOR: We do a great deal of work to assist other departments of the government with their actuarial problems but in the case of government annuities we have perhaps over the years done less than for other departments. Back in 1928, or thereabouts, the then chief actuary, Mr. Watson, made a mortality investigation of government annuities, but since then the investigations have been made either by the actuary in the Annuities Branch or by some actuary outside the government service altogether. Where the government is selling a scheme of annuities really in competition with companies I suppose they prefer what might be thought to be a more independent opinion. Although I must say that our comments or advice would be impartial notwithstanding that we have our own personal views about the justification for the scheme.

Senator BURCHILL: I wanted to discuss the people that the Annuity Branch is serving, that is the wage earner, the individual, and such people who want to save and practise thrift, but I would also like to discuss the other feature of it, that is, the amount or the extent to which corporations and industrial concerns are using it for their pension schemes in competition with the companies now.

Mr. MACGREGOR: I take it, Senator Burchill, you are asking for my personal opinion?

Senator BURCHILL: No, but I want to know the facts. There is quite a participation on the part of industrial concerns and corporations, is there not?

Mr. MACGREGOR: My personal opinion is largely this. I think unquestionably the government annuity scheme was started, as I mentioned earlier, to encourage thrift amongst the daily wage earner, as Sir Richard Cartwright put it, all in the hope of heading off old age pensions. I have some quotations here, if the committee would like to hear them, from Sir Richard Cartwright's speeches when the scheme was first started. Would the committee be interested?

The CHAIRMAN: I think the committee would be interested in your continuing, Mr. MacGregor.

Senator BURCHILL: Perhaps you would kindly answer my question as to the participation of industrial concerns and corporations.

Mr. MACGREGOR: My personal opinion is that the scheme has been largely ineffective in heading off a need for old age pensions. The old age pension scheme, of course, came into being in 1927 on a means test basis, but whatever the justification may have been for the annuities scheme prior to that time, it must surely have been less since old age pensions have been payable on a universal basis without any means test since 1951. My personal opinion again, is that the people Sir Richard Cartwright hoped to interest in the scheme never availed themselves of the scheme to any extent at all, that is to say, the daily wage earner. By and large I think annuities have been sold to middle class or better-off people, or even wealthy people, and to employers. It is certainly a laudable objective to encourage thrift, but I think it is doubtful whether the sale of annuities at a loss has done anything to encourage thrift amongst the persons who have actually purchased them, especially since, say, the depression days. Anyone who lived through the depression thirties, and

then the war, could hardly be other than security minded, and of course it was in the thirties (1936) that the old age security scheme came into existence in the United States. People became more insurance minded and more inclined to make the best possible provision for the future and to improve their economic position as best they were able. Then during the war tax rates were high, with excess profits tax on top of the income tax, and employers were naturally disposed to make provision for pension schemes, because they almost had their choice of spending some money that way or paying it over to the government in tax; so that during the war more and more employers instituted pension plans, and have been doing so ever since. The course of group annuities since then indicates the development in the industrial pension field. I do not have figures showing the trend of group annuities issued by the government but I have data for the insurance companies in Canada. The total consideration received in 1945 for group annuities was \$14 million; in 1950 it was \$38 million; and in 1955 it was \$80 million. I can also give you some figures on the number of group annuity schemes that are in force now in insurance companies as compared with the government annuity scheme. (*See Appendix K*) I understand that the number of group annuity contracts in force in the Government Annuities Branch as at March 31, 1955, was 966. The number of group annuity contracts in force in all insurance companies, in Canada as at December 31st, 1955, was 3,045, somewhat more than three times as many. On the other hand—or perhaps I should say at the same time—the number of group certificates in force, that is, the number of individuals covered by these group contracts, was 190,129 in the government annuity scheme, and it was 285,215 amongst the insurance companies. From those figures it will be seen that the average number of certificates per group annuity contract, or in other words, the average number of employees covered in each group is 197 in the case of government annuities, but only 94 in the case of insurance companies. The insurance companies have a larger number of these group annuity schemes, and a larger number of employees are covered; but the average size of the group is about half that in the Government annuities scheme. On the surface it suggests that at least the larger employers are going to the government first.

Senator MOLSON: Mr. Chairman, I would like to get back to this question of reserve. I am still a little puzzled about it. The insurance companies have to meet certain requirements under your department, Mr. MacGregor; if the Government annuities scheme had to meet similar requirements under your department, what would the reserve position be?

Mr. MACGREGOR: In the first place, Senator Molson, the companies would be required to make provision now for all their future obligations; they would not be permitted to wait until the annuity begins before strengthening the reserve basis to cover the then value of the annuity; they would be asked to make full provision now. How much a change of that kind would increase the present reserves in the Government annuity scheme, I should not care to hazard a guess without making a proper investigation of the data and a valuation.

Concerning the other point mentioned earlier about the peculiar option in contracts, it is really impossible to value it; no one can say to what extent contract holders will exercise it.

Senator MOLSON: I appreciate your answer with respect to the second point. Could we get an estimate of the liability? Would it be possible to get that figure with respect to the first point?

Mr. MACGREGOR: It is possible, but it would involve a valuation of the data in the Government Annuities Branch.

Senator MOLSON: Which would be a very heavy task.

Senator HAIG: It would involve examining every policy.



Senator GOLDING: Mr. MacGregor, evidently the insurance companies think that the annuities field is one which should still be cultivated.

Mr. MACGREGOR: Yes.

Senator GOLDING: In spite of the pensions and such other things that are being paid, the companies still think so?

Mr. MACGREGOR: Yes.

Senator GOLDING: I understood you to express the opinion that you felt the field should be abandoned.

Mr. MACGREGOR: No, sir. I had no thought that the annuities field should be abandoned. I am sorry if I made any comment carrying that implication.

Senator HAIG: You think the actual cost should be charged against the Annuities Branch?

Mr. MACGREGOR: I was speaking of annuities generally; perhaps you are thinking of the sale of annuities by the government.

Senator GOLDING: I am speaking of the field for the sale of annuities, whether it be the Government or by companies. I say that the companies evidently think, notwithstanding all the pension schemes there is still the annuities field which should be covered.

Mr. MACGREGOR: I think it is a field that must be provided with adequate facilities. Whether they are to be provided entirely by life insurance companies or by the Government—that is a matter of policy.

Senator GOLDING: I took your point of view to be that the government should not carry on this scheme, or at least it was not necessary. I should like to get that point clear.

Mr. MACGREGOR: I think that if the Government were not offering annuities, most of those sold by the Government would be sold by the companies; I think the people who are buying annuities from the Government would probably buy them anyhow somewhere else, and of course they would go to the only source, namely, the insurance companies. For the most part I believe they go to the Government now because they get a better rate.

Senator GOLDING: You think this is a field that has need for that service.

Mr. MACGREGOR: By the government?

Senator GOLDING: By somebody, whether it be the government or the companies.

Mr. MACGREGOR: By someone, yes, most certainly.

Senator HAIG: But your idea is that whatever the Government charges for its annuities should include their cost to the government?

Mr. MACGREGOR: I think the first point, Senator Haig, that I should want to have answered in my own mind is the objective of public policy that the sale of Government annuities is intended to serve now. Having settled that, I think one would then be in a better position to express an opinion as to whether they should be sold at cost covering all expenses, or at less than cost, and if at less than cost, how much less.

The CHAIRMAN: It is purely a matter of policy.

Mr. MACGREGOR: It is a matter of policy.

Senator HAIG: Just leaving that question out of it, because we are not fixing Government policy, surely an ordinary businessman would decide that he should not sell annuities below cost.

Mr. MACGREGOR: It is very difficult to see any justification, to my mind at least, for the Government selling annuities at less than cost, having regard for the people who buy them.



Senator BARBOUR: Mr. MacGregor, do you not think that the Government should now, in view of the fact that this field is covered not only by Canadian, but by American and United Kingdom insurance companies, try to sell out the contracts it now has to the insurance companies and get out of the business altogether?

Senator CRERAR: That is not a question that should be asked this witness.

Mr. MACGREGOR: Generally speaking, Senator, I think probably the better procedure where it has been decided to discontinue the making of new contracts, is to allow the old ones to peter out. That has been done in the past. For example, in the Civil Service insurance scheme, which was and still is administered by our department, new policies were discontinued in 1954, but the remaining business is running on; it will take some years before it runs off, but it can be administered quite economically. Another example is Returned Soldiers insurance; new issues were discontinued many years ago, after the First World War, but the scheme has been administered so far as the remaining business is concerned quite economically, and it has since been integrated with the Veterans Insurance scheme following the Second World War.

Senator BURCHILL: Mr. MacGregor, do you know what practice is followed in the United States with respect to the Government of that country offering annuities for sale?

Mr. MACGREGOR: The government in the U.S.A. does not sell annuities to the public, as the Government here does.

Some interest was expressed a little while ago about these industrial pension schemes, so to speak. A large portion of the business transacted by the Annuities Branch is in the group field. Employers as a whole are pretty well informed people, and if they desire to institute a pension scheme they naturally shop around and find the best rate they can. If the Government rate is better they will buy as much as they can from the Government, and go to the companies for any excess they desire. If the Government facilities were not available, I think in most cases the pension schemes would still be put into effect, but the whole would be purchased from the companies. Probably the employers would absorb any little extra cost that would be involved. I doubt very much if in most cases, or if in any cases, the employee would be asked to pay any more than his usual 5 per cent or whatever it may be now.

Senator MOLSON: Mr. Chairman, we were given by the Minister a figure of 1.68 per cent of premiums representing the cost of administration; compared with 5 per cent which Mr. MacGregor mentioned in the ordinary expense loading for companies, that seems very low, does it not?

Mr. MACGREGOR: Yes it does, Senator Molson. Of course the loading of the companies includes a commission element of perhaps 2 to 3 per cent. Two per cent I think is customary for single premium immediate annuities.

Senator MOLSON: Is there not a commission on Government annuities. I think there is.

Mr. MACGREGOR: Yes. That is true. In the Government annuities scheme the commission is included in their expenses.

Senator MOLSON: So that figure does seem very low compared to the companies' cost. Are the same mortality tables used in both the Government Annuities Branch and by the insurance companies?

Mr. MACGREGOR: No, I think there are very few companies using the same mortality basis as is used in the Government Annuities Branch now, but perhaps I should explain that in computing premium rates for annuities, a company will have an eye to each of the ingredients in the premium, that

is to say, one may tend to be a little more conservative on interest, while another company may tend to be a little more conservative on mortality. I am quite sure that if one analysed the premium bases used by the several companies today he would find that the interest rate assumed is not the same in every case, and also likely find that where the interest rate is not the same, the mortality basis is not quite the same either, but the end result is not very different.

Senator MOLSON: In the year ending 1954, you said company premiums amounted to \$95 million, and the figure which was given to the committee on Government annuities for the year ending March 1955, amounted to \$68.5 million. Can you tell me in what year the companies' business passed the Government figure?

Mr. MACGREGOR: I am afraid I could not at the moment, Senator Molson. I have the figures for the companies, but I have not the earlier figures for the Government Annuities Branch. I could give them to you after this meeting. It will take a little time to find.

Senator MOLSON: That will be satisfactory.

Senator ISNOR: Mr. Chairman, I want to ask a direct question of Mr. MacGregor. Why is it that the services and advice of your department are not made use of to the same extent and to the same manner as they are by private companies? To enlarge on that, I know that your department enjoys a very fine reputation. In making inspections of the business of private companies throughout the country your department picks up information which is helpful to them, and your criticism of improper coverage in this case or inadequate investment in bonds in another case, are very much appreciated by these private companies. Now, I want to ask why the same service and advice is not available to the Annuities Branch. If it is available then why is it not made use of?

Mr. MACGREGOR: I doubt, Senator Isnor, whether I can give you a direct and clear answer to that. I can say this, that in recent years, more particularly since the war, and perhaps more particularly still since 1948, or thereabouts, I think our opinion has been requested more frequently than it used to be. I think that at one time it was suggested that our department might even administer the Government annuities scheme, but frankly I think that would have been unsatisfactory because it is very difficult to mix supervision of companies with the administration of an annuities scheme that is in direct competition with the companies that one is supervising.

Senator HAIG: It can be done, though, the Canadian Broadcasting Corporation does that.

Senator ISNOR: Perhaps Mr. MacGregor will go a little further into that, Mr. Chairman.

Mr. MACGREGOR: We have of course, Senator Isnor, our opinions about the Government annuities scheme, and have perhaps, not unnaturally, expressed them gratuitously from time to time to others in the Government service interested in the scheme. We have no axe to grind with the Annuities Branch. We have no desire whatsoever to foster the sale of annuities or to foster business by companies as against Government annuities. Whether there has been a feeling in the Annuities Branch that we might be disposed that way I cannot say, but our relations with that branch now are quite happy. I think we are being consulted, as I mentioned, more often than we used to be. As I mentioned also, whatever the reason, there seems to be a much greater degree of realism in setting rates and settling upon contract terms and so on in the Annuities Branch within the last ten years than formerly.

Senator ISNOR: We are all very pleased to have that last comment, I am sure, that is, your comment about the improvement.

If you had made a thorough examination of the Annuities Branch three years ago, or two years ago, you would have brought to their attention the fact that they were \$350,000 behind, or you would have indicated to them the need of \$350,000 to make their annuity service solvent. Would you have done that?

Mr. MACGREGOR: That, I think, was the amount required to be transferred a year ago to maintain the annuity account according to the procedure that they have been following, but briefly, that system of accounting is on what one might term a current cost basis, that is to say that transfer related in the main to the deferred annuity contracts that matured for payment for the first time in that year. But others are going to keep on maturing from year to year in the future and to be completely realistic about future operations of the annuity fund one might better attempt as best he can now to value all future obligations facing the fund, rather than to wait until the annuities mature before making full provision for them.

Senator ISNOR: Mr. Chairman, I was very interested in the answers given to Senator Molson's questions, and it is really in continuity of his questions that I asked mine. I think Mr. Chairman, it is very important, and the evidence we have had from Mr. MacGregor this morning will have an important bearing on the report that the committee makes. There is much food in it. The questions that have been asked of Mr. MacGregor and his answers are going to be very helpful, I am sure.

However, I am not entirely satisfied yet as to whether you make year in and year out inspections of the Annuities Branch.

Mr. MACGREGOR: No sir, none at all.

Senator ISNOR: You have none?

Mr. MACGREGOR: None at all. We have no official responsibility for the administration of the Government Annuities Act, nor have we made any investigation into their mortality experience since 1928. However, one knows pretty well what mortality is being experienced amongst annuitants in Canada. The volume of business in the annuities branch is substantial, so that, even without making any investigation, we know pretty well from time to time whether they are selling annuities on a bargain basis or on a break-even basis. But we have made no investigation whatsoever, senator, concerning their activities in a supervisory way.

Senator CRERAR: We had an evaluation, Mr. Chairman, when the officials of the annuities branch were here, as to the amount likely to be required to maintain solvency supposing you stopped selling the annuities, to the expiration of the last contract.

Mr. MACGREGOR: The annuities branch, of course, have their own actuary now, and have had him since the war.

Senator ISNOR: Oh well, all the companies you inspect have the same thing. It is just that I am trying to establish the fact that you do not give the same service to the annuities branch and the Department of Labour that you do to the private companies operating through Canada.

Mr. MACGREGOR: We do not, senator. That is quite right.

Senator MOLSON: Is there any other case in the country where that situation applies? Is that the only case of a major fund where the Department of Insurance does not exercise supervision?

Mr. MACGREGOR: Our connection with the various Government pension and insurance schemes has varied a good deal, Senator Molson. Sometimes our advice has been sought at the very outset before the scheme was instituted.



That was the case with Returned Soldiers' insurance in the first war, with Veterans' insurance in the second war, and with unemployment insurance, also with some of the Government pension schemes. For example, Part 4 of the R.C.M.P. Act, which came in force about 1934, being a scheme providing widows' and children's benefits for the first time for constables and N.C.O.'s,—that scheme was framed in our department at General MacBrien's request. In other pension schemes, as, for example, in the case of the Defence Services' pension scheme, Part 5 of the R.C.M.P. pension scheme, and the superannuation fund of the Civil Service, we did not frame the scheme nor do we take any direct hand in the administration of the scheme, but we do now make an actuarial valuation regularly of each of these funds. In some cases these valuations are required to be made at least once every five years by statute, as in the case of the Defence Services scheme and the Civil Service superannuation scheme.

Senator CRERAR: You have not in recent years been asked to do that for the annuities branch?

Mr. MACGREGOR: We have never been asked to do it, so far as I recall.

Senator MOLSON: To come back to my question: does that leave this the only major fund where you do not value or exert some influence on its operation?

Mr. MACGREGOR: It is the only major one that comes to mind at the moment, senator. We do a great deal of work for other departments.

The CHAIRMAN: Are there any further questions?

Senator HAIG: I move we adjourn.

The CHAIRMAN: No, not at this time. I have something I want to bring up.

Mr. MACGREGOR: Senator Molson, I left unanswered the question you raised a little earlier as to the point of time when the premium income of companies passed that of the annuities branch. From the figures that I have here I can only say that it occurred in some year after 1945. Unfortunately I have not got the Government annuity figures here, but it was somewhere between 1945 and 1955. In 1945 the premium income of the annuities branch was \$33 millions as against \$28 millions for companies.

Senator MOLSON: Thank you. That is close enough.

Mr. MACGREGOR: I should guess it was along about 1947 or 1948.

The CHAIRMAN: Mr. MacGregor and Mr. Humphrys, I know the committee would want me to say a word to you of appreciation for the manner in which you have given your evidence; and I take great pleasure in thanking you very much for your presentation and for coming here; and in that I include you, Mr. Humphrys.

This about concludes the last witness that we had anticipated and planned to call, and it brings up the question of whether we will instigate further inquiries in other branches or whether we are now prepared to go to the report. What is your thought about it? Last year the report was tabled in the house on Thursday, June 16. As you are aware, there is quite a compilation of documents and evidence to go through. It will take some little time to get a report compiled; and I was wondering what your thought was, whether we should now terminate our hearings and proceed to report, or whether we should institute further inquiries.

Senator HAIG: Following last year, Mr. Chairman, I suggest that the steering committee, or any other committee you want to appoint, draft a report and bring it back to this committee within a reasonable time for the committee as a whole to consider.

The CHAIRMAN: Is that the considered wish of the group?

Some Hon. SENATORS: Agreed.



Senator ISNOR: Just before you pass that motion; I am a little disappointed, Mr. Chairman, that you and your steering committee did not see fit to call the Auditor General of Canada, Mr. Watson Sellar. I think he is one authority on the matters that some before this committee who, perhaps, is outstanding. I mentioned this earlier: I hoped you would call him as a witness. Certainly his advice and experience should be worth considering; and I should say, quite frankly, that I am disappointed that you and your steering committee have not seen fit to call him.

The CHAIRMAN: There is still opportunity to call him, if that is the wish of the committee.

Senator ISNOR: Secondly, last year some senator brought in an economist who, I think, was referred to as "Mr. Jackson". Gilbert Jackson, was he?

Senator CRERAR: Oh yes, he was here.

Senator ISNOR: Gilbert Jackson,—from Toronto, if I remember rightly—was very interesting; and the representatives of two or three other organizations who came here also made a real contribution to our deliberations. Certainly the witnesses that you have had before the committee have all given helpful information, but there has not been very much constructive thought given to us in regard to the future. It has just been a rehash of evidence placed before us on previous occasions. As a result of questioning today, Mr. MacGregor gave us some information for the future but apart from that there has not been much new. I offer these thoughts for you and your Steering Committee to consider before you bring in your report.

The CHAIRMAN: First I should make some comment before I put the question to the Steering Committee. It is not sure that your criticism is of the committee or of the chairman.

Senator ISNOR: It is nothing personal at all.

The CHAIRMAN: It is nothing personal at all but I want to make this statement.

Senator ISNOR: All right.

The CHAIRMAN: It is not clear whether your criticism is of the committee or of its chairman. If it is of the chairman I accept it in good grace and I will say that you are probably right. But when I assumed this position as chairman of the committee I thought I clearly stated to the committee that it would be the function of the committee itself to direct what they wanted brought before it. I said that I would facilitate that to the best of my ability. Well, I have done so to the best of my ability, but whether I have done it acceptably or not is for the committee itself to decide. Whether it is my fault or that of the committee the situation can be corrected. These questions were brought up in meetings of the Steering Committee and the Steering Committee decided that we would not call expert testimony. The members of the Steering Committee are here now, I think. I remember, for one thing, that Senator Turgeon said at a meeting of the Steering Committee: "After all, this is supposed to be an economy committee and we are increasing expenditures". That is one comment that was made. Maybe I should not repeat that. If it is the wish of the committee to call Watson Sellar or anybody else I will certainly facilitate getting him. I will ask the committee again. Is it your wish—

Senator ISNOR: Before you put the question I want to correct any misunderstanding that may exist in your mind. I was very careful to refer to the chairman and the Steering Committee. There is no criticism of the chairman. He has done a good job.

Hon. SENATORS: Hear, hear.

Senator ISNOR: I want to make that very clear. There is no criticism of the chairman or of the Steering Committee.

Senator CRERAR: Mr. Chairman, I think there would have been merit in Senator Isnor's suggestion had it been made a few months ago. When we had Mr. Gilbert Jackson, who is recognized as one of the outstanding economists in Canada, before us in relation to the inflationary pressures that were in the economy, he discussed the possibilities of further inflation and the factors that led to inflation in the economy.

Senator ISNOR: At the time.

Senator CRERAR: I do suggest that it is perhaps a little bit late at this juncture in our proceedings to initiate an inquiry into that particular problem. The Steering Committee could consider that but if we do and the house should adjourn, say, next month around the 20th or 25th of June, I think it would be quite impossible to get his views considered by the committee as a whole so that a recommendation could be made, and a report.

There is one other matter I might mention now that I do think is of crucial importance. I have regarded it as crucial, at any rate. I refer to the burden of expenditures. The burden of taxes in the federal authority alone does not reflect the situation so far as the country as a whole is concerned. That is to say, if we are to get an accurate picture of the tax problem we must ascertain what the total amount of taxes are at the provincial, municipal and federal levels. The same applies to expenditures. We had in our previous reports a rather broad analysis of the total taxes paid to all Government authorities, where the tax is derived, and the total of expenditures by all authorities, and what the general lines of expenditures were. That information, of course, is available in the Bureau of Statistics. I had thought of raising this earlier in committee.

The CHAIRMAN: I do not want to interrupt you, Senator Crerar, but we are now in the process of trying to prepare that sort of statement. I do not think it will cover the whole field but we have all the necessary information to prepare that. That has been submitted through the evidence.

Senator CRERAR: Where was that secured?

The CHAIRMAN: From the Bureau of Statistics; and Mr. Deutsch submitted quite a bit, if you will recall. We are now trying to assemble that

Senator CRERAR: The information I am speaking of could be obtained from the submissions to the interprovincial conference of last October.

The CHAIRMAN: We have all that.

Senator CRERAR: That should be included in our report.

The CHAIRMAN: That is one of the things I intend to submit to the Steering Committee and then to this committee for approval, when we get around to it. But it is difficult to do it until we get some assembly. Further to this discussion I might read the minutes of the meeting of Friday, March 16, of the Steering Committee:

"The Steering Committee of the Standing Committee on Finance met this day at 3.00 p.m.

*Present:* The Honourable Senators Burchill, Crerar, Haig, Hawkins and Turgeon.—5.

Following a general discussion, agreement was reached on the following points:—

That Mr. Deutsch be permitted to conclude his evidence at the next meeting.

That the Committee resume sittings as soon as possible after the Easter recess.

That the Committee inquire into the policy of the government on rented accommodation, and that appropriate witness be called.

That Mr. Watson Sellar, Auditor General, need not be called."

That was the decision of the Steering Committee.

Senator ISNOR: That is the first time you have placed this on record. We did not know this. You never announced this to us before.

The CHAIRMAN: I tried to.

Senator ISNOR: If you tell me that it is in the minutes, it is good enough.

The CHAIRMAN: Perhaps it is not in the minutes. Reading on:

"That the Hon. Milton F. Gregg and the Hon. Walter E. Harris be invited to appear before the Committee and discuss the details of government annuities and the superannuation fund, respectively."

That was when that decision was made.

Senator BURCHILL: I think that the Steering Committee will have to accept the rebuke of my friend from Halifax-Dartmouth (Hon. Mr. Isnor).

Senator ISNOR: It is not a rebuke.

Senator BURCHILL: It is good for us. I think it was the feeling of the Steering Committee that we just had not got to the point where we were in a position to have the Auditor General. We did not have anything to put before the Auditor General at the time, and we felt these other matters were more important and what the members of the general committee wanted. I think that was our feeling on that occasion. Whether it was right or wrong it is too late now in the session to bring the Auditor General here. It will take all our time now to get a report assembled before the session concludes. I would certainly think it is a bit late now. Now, Senator Crerar mentioned what we had in mind last year when we brought Mr. Gilbert Jackson here. What we were after then was the effect of Government spending on inflation. That was always the theme of our discussions last year. This year it is a different story altogether, and there was not the same need for bringing those expert witnesses. Another year perhaps we can chart our course a little better, and have the Auditor General here. On that point, Mr. Chairman, there are all kinds of topics that we can study with profit as a committee to serve the people of Canada. Another matter well worthy of discussion is the question of taxation in this Dominion. That is a subject that could take up the time of a whole session.

The CHAIRMAN: This may be an excuse for not calling Mr. Watson Sellar, and I am never anxious to offer excuses, but in order to call a witness, the request must first come from this committee, and then some idea must be gained of what we are calling the witness for, and in my opinion a prospective witness should be given some idea of what he is to be questioned about. The committee has been meeting once a week, and perhaps it should have been meeting twice a week. I can assure the committee that I do not want to shut anyone off. I have done my best to give everyone an opportunity. The question is still open before the committee. What is the committee's decision about it?

Senator HAIG: I do not agree with my friend from Halifax-Dartmouth (Hon. Mr. Isnor). We do not want to have Watson Sellar here. He is the Auditor General for the Government and their expenditures, and I am not anxious to investigate how the Government spent the money, or why. The minute I do that I enter into the field of politics right off the bat, and it would be said that John T. Haig is trying to show that the Government has spent money here, there, or elsewhere. I do not want to be put to that test. I think we have to have a different policy altogether. As senators we are not supposed to be terribly interested in individual things as a general policy.



I think you are to be congratulated, Mr. Chairman, for the opportunities you have provided to enable us to get information. Two ministers were called here. In my estimation, Mr. Gregg gave a very clear statement of the annuities situation, and did not try to hide anything at all. He admitted they had spent \$30 million up to date, and the estimate will probably be another \$40 million yet. He admitted the cost of management was charged to the Government and not to the annuitants. Mr. Gregg has gone up in my estimation. Then we had the Minister of Finance here, and he is a very busy man, and through your influence, sir, certainly not through mine, he and his key men from the department came and gave us the information. I think our committee, as it did when Senator Crerar was chairman, should try to show the people of Canada the way the Government of this country can conduct its financial affairs. One matter the public should know more about is the matter of taxation, and secondly, it should know more about how annuities are dealt with. They ought to know how much the Government is spending a year, and why annuities are being sold by the Government when they are being offered by other companies.

Now, I can quite understand Senator Isnor making the statements he did, even though I may not agree with him. I have read what Gilbert Jackson has written; he is an able man. I admit that we are threatened with inflation now, but I must admit that the Government, by raising the bank discount rate, have attempted in one regard to head off inflation, and have encouraged the other banks in Canada to follow suit. I do not want to get into an argument between Gilbert Jackson and the Government as to how to head off inflation.

I think the Steering Committee is under a very great obligation to you, Mr. Chairman, because you have helped us very materially in the performance of a very difficult task. When the report comes in it will be a unanimous report of the committee, although there may be some things in it that I do not agree with, but the responsibility will be yours, sir, because you will have to accept or reject the report, and the rest of the members of the committee will take the responsibility, too, everyone of us. The members of the Sterling Committee have had a very happy time together, largely due to you, Mr. Chairman, and the clerk who assisted you. We have to thank you for the good work you have done for us in getting the material and information available. Every decision that has been made was with the unanimous decision of the Committee. I was against Gilbert Jackson being called. I know his ability, but I felt that we did not have time to go into that whole question at the time at our disposal, and I was anxious that our time should be directed to the things we have investigated, and I am highly satisfied with the investigation. I think we have done a real service.

In conclusion, I think it is encouraging that the Government adopted some of the suggestions embodied in our formal report. Take the case of the Department of Public Works. They now do nearly all the building for the Government. There are two exceptions, but I think time will bring both of them under the Department. Our committee is entitled to credit for that forward move. I want to check on that to see that it is being done. We had the Deputy Minister here, a very able man, and he gave us a statement showing exactly how they were trying to catch up with our proposition, and practically told us that they had adopted the proposition. We are going to follow that through, also. They do not accept one or two of our suggestions, because of course, all these things take time.

I think our report will show a fair summary of all the evidence. If you accept it, it is your report, Mr. Chairman, not ours. I wish to remind you of this, because you are the one who will make it, and we are only your secretaries, so to speak.



Next year, I think the committee should meet earlier, if we are to call the experts for information. I am not too keen on that, especially calling the Auditor General, but if these men are to be called, they should be called early in order to have a proper investigation. One day's interview is not enough. Further, if inflation is a more threatening menace a year from now than at present we shall certainly want Gilbert Jackson called to help us to solve that problem.

The CHAIRMAN: Any further comments, gentlemen?

Senator BEAUBIEN: It seems to me, Mr. Chairman, that you have plenty of material from the evidence to submit an intelligent report with some recommendations.

The CHAIRMAN: Is it the opinion of the committee that we should adjourn the hearings now and proceed to the report?

Senator BURCHILL. I so move.

Senator BEAUBIEN: I second the motion.

The CHAIRMAN: It has been moved by Senator Burchill, and seconded by Senator Beaubien, that we now adjourn the hearing of witnesses and proceed to the report. All in favour of that motion, please signify?

Now, before we adjourn and proceed to report, there is the matter of the publication of the report and the preparation of it, which I understand takes some little time for the setting up of the machinery.

The CHAIRMAN: Last year about this time in our proceedings we passed the following motion:

That authority be granted for the printing of 1,000 additional copies in English and 200 additional copies in French of the report of the standing Committee on Finance on the expenditures proposed by the estimates laid before Parliament for the fiscal year ending March 31, 1956, and that rule 100 be suspended thereto.

Senator HAIG: Mr. Chairman, I move a similar motion with respect to the estimates laid before Parliament for the fiscal year ending March 31, 1957.

Senator CRERAR: I would suggest that as this is the final report, the word "final" should be inserted in the motion.

Some SENATORS: Carried.

The committee adjourned to the call of the Chair.

## APPENDIX G

### DISPOSITION OF SAVING

	1952	1953	1954	Prelim. 1955
	(Millions of Dollars)			
Gross domestic investment—				
Housing, plant and equipment ....	4,256	4,840	4,666	5,268
Change in inventories .....	310	549	—280	450
Net increase in foreign assets (including foreign exchange) adjusted..	173	—443	—426	—651
Residual error of estimate .....	—95	19	51	132
Total .....	4,644	4,965	4,011	5,199

Source: House of Commons Debates, March 20th, 1956, Budget Papers, p. 14.

## APPENDIX H

### SELECTED ITEMS OF CONSUMER EXPENDITURE

(Millions of dollars)

	1953 (revised)	1954
Alcoholic Beverages .....	869	867
Tobacco in various forms .....	453	461
Race track betting .....	84	86
Soft drink beverages — all kinds .....	198	195
Commercial recreation .....	199	194
Total of above items .....	1,803	1,803

Prepared by Research & Development Division, Dominion Bureau of Statistics.  
23 May, 1956.

## APPENDIX I

### COMPARATIVE TABLE OF ANNUITY PREMIUMS — GOVERNMENT, CANADIAN, U.S. AND U.K. COMPANIES

Ordinary Single Premiums for an Immediate  
Life Annuity of \$100 per annum payable annually

		Male Lives						
		Government		Canadian Companies		U.S. Companies		Br. Co.
Age	Annuity	A	B	C	D	E	F	G
		(111)	(109)	(109)	(113)	(127)	(128)	(107)
50 .....	\$ 1,579	1748	1727	1722	1787	2001	2017	1688
		(109)	(108)	(107)	(112)	(121)	(125)	(105)
60 .....	1,248	1364	1351	1337	1398	1512	1556	1315
		(108)	(108)	(106)	(111)	(119)	(124)	(104)
65 .....	1,073	1164	1155	1137	1195	1276	1329	1116
		(107)	(107)	(105)	(110)	(117)	(124)	(104)
70 .....	899	960	960	941	988	1053	1111	934

## STANDING COMMITTEE

## Female Lives

Age	Government Annuity	Canadian Companies				U.S. Companies		Br. Co.
		A	B	C	D	E	F	
50 .....	1,721	(114) 1954	(110) 1897	(109) 1882	(112) 1936	(130) 2245	(130) 2241	(108) 1866
60 .....	1,425	(110) 1574	(108) 1543	(108) 1534	(109) 1557	(123) 1755	(125) 1787	(106) 1516
65 .....	1,248	(109) 1363	(108) 1351	(107) 1337	(109) 1358	(121) 1512	(125) 1556	(104) 1304
70 .....	1,057	(108) 1144	(109) 1155	(108) 1137	(109) 1153	(121) 1276	(126) 1329	(104) 1099

Group Single Premiums for a Deferred Annuity of \$1 per month, guaranteed for 5 years certain and life thereafter, with return of premium and interest in the event of death during the period of deferment.

## Male Lives, Annuity Vesting at Age 65

Age at Purchase	Government Annuity	Canadian Companies	
		C	D
20 .....	\$29.39	(121) \$35.48	(122) \$35.88
30 .....	41.45	(117) 48.52	(118) 48.92
40 .....	58.47	(113) 66.24	(114) 66.62
50 .....	82.48	(109) 90.18	(110) 90.45
60 .....	116.34	(105) 121.82	(105) 121.86

## Female Lives, Annuity Vesting at Age 60

20 .....	45.14	(119) 53.78	(124) 55.75
30 .....	63.68	(116) 73.59	(118) 75.38
40 .....	89.82	(112) 100.45	(113) 101.84
50 .....	126.70	(108) 136.53	(108) 137.31

N.B.—Figures in parenthesis are the ratios (%) of company premiums to Government Annuity premiums.

## APPENDIX J

### TOTAL ANNUITY CONSIDERATION RECEIVED BY LIFE INSURANCE COMPANIES IN CANADA

Year	Ordinary	Group	Total
1935 .....	\$ 6,745,878	\$ 1,236,696	\$ 7,982,574
1936 .....	7,709,429	1,425,264	9,134,693
1937 .....	9,812,337	2,314,697	12,127,034
1938 .....	10,932,770	2,849,944	13,782,714
1939 .....	10,508,593	3,261,199	13,769,792
1940 .....	9,768,720	4,162,902	13,931,622
1941 .....	9,730,832	6,298,463	16,029,295
1942 .....	9,623,102	5,354,133	14,977,235
1943 .....	11,107,559	6,113,299	17,220,858
1944 .....	12,884,239	9,220,453	22,104,692
1945 .....	14,296,241	13,608,109	27,904,350
1946 .....	21,080,357	17,879,585	38,959,942
1947 .....	18,429,013	23,241,379	41,670,392
1948 .....	18,040,383	28,352,714	46,393,097
1949 .....	19,254,119	33,399,278	52,653,397
1950 .....	20,677,047	38,402,085	59,079,132
1951 .....	19,532,003	62,178,798	81,710,801
1952 .....	20,143,600	51,703,347	71,846,947
1953 .....	20,915,163	61,642,929	82,558,092
1954 .....	23,854,489	71,103,083	94,957,572
1955 .....	26,228,320	79,679,376	105,907,696

## APPENDIX K

### RELATIVE VOLUME OF ANNUITY BUSINESS IN CANADA

	Government Annuities (year ended Mar. 31, 1955)	All Insurance Companies (year ended Dec. 31, 1955)
Consideration received during year .....	\$ 68,594,250	\$ 105,907,696
No. Individual contracts in force at end of year .....	159,532	112,837
No. Group contracts in force at end of year..	966	3,045
No. Group certificates in force at end of year	190,129	285,215
Average number of certificates per Group contract .....	197	94
No. of Individual annuities (contracts) vested at end of year .....	....	15,374
No. of Group annuities (certificates) vested at end of year .....	....	14,703
Total number of Individual and Group annuities being paid at end of year....	68,130	30,077









Canada, Finance, Standing Committee  
(Sess. 1956)

CA 100 13-N14 1956

THE SENATE OF CANADA



Government  
Publications

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

**FINANCE**

on the expenditures proposed by the Estimates laid  
before Parliament for the fiscal year ending  
March 31, 1957

No. 10

WEDNESDAY, JUNE 20, 1956

The Honourable C. G. HAWKINS, *Chairman*

REPORT OF THE COMMITTEE

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1956.





## MINUTES OF PROCEEDINGS

WEDNESDAY, June 20, 1956.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

*Present:* The Honourable Senators Hawkins—Chairman, Aseltine, Beaubien, Burchill, Connolly (*Halifax North*), Crerar, Gershaw, Golding, Haig, Horner, Isnor, Molson, Reid, Smith, Stambaugh, Taylor, Turgeon and Woodrow—18.

Consideration of the order of reference of February 15, 1956, was resumed.

A draft Report, prepared by the Steering Committee and read by the Chairman, was considered clause by clause.

Following discussion and amendment, and on motion of the Honourable Senator Beaubien, seconded by the Honourable Senator Haig, the draft Report was adopted.

The following documents were ordered to be printed as Exhibits to the Report:—

No. 1. Gross National Expenditure, National Income and Gross National Product, 1929, 1939, and 1947-1955.

No. 2. Taxation in Canada, the United States and the United Kingdom, 1954 and 1955.

No. 3. Government Expenditure, Federal, Provincial and Municipal as a Percentage of National Income, 1929, 1939 and 1947-1955.

No. 4. National Income, Gross National Product and Gross National Expenditure, by Quarters, 1953-1955.

No. 5. Summary of Net General Revenue and Expenditure, All Governments in Canada, 1939, 1945 and 1951 to 1955.

No. 6. Reported Numbers of Employees of the Government of Canada, Excluding Members of the Armed Forces, the R.C.M.P., and Statutory Employees.

No. 7. Summary of Annual Estimates of the Government of Canada by Standard Objects of Expenditures and Special Categories.

No. 8. Explanatory Notes Covering the Standard Objects of Expenditure and Special Categories.

No. 9. Comparison of Consumer Prices and Average Weekly Wages. Annual Averages for Canada, 1952-1955.

No. 10. Selected Items of Consumer Expenditure, 1953-1954.

Consideration of the order of reference was adjourned.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,  
Assistant Chief Clerk of Committees.

## APPENDIX (A)

WEDNESDAY, June 20th, 1956.

The Standing Committee on Finance, to whom was referred the Estimates laid before Parliament for the fiscal year ending March 31, 1957, report as follows:—

On February 15, 1956, the following order of reference was adopted by the Senate:

"That the Standing Committee on Finance be authorized to examine the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1957, in advance of the Bills based on the said Estimates reaching the Senate; that the said Committee be empowered to send for records of revenues from taxation collected by the Federal, Provincial and Municipal Governments in Canada and the incidence of this taxation in its effect upon different income groups, and records of expenditures by such governments, showing sources of income and expenditures of same under appropriate headings, together with estimates of gross national production, net national income and movement of the cost-of-living index, and their relation to such total expenditures, for the year 1939 and for the latest year for which the information is available and such other matters as may be pertinent to the examination of the Estimates, and to report upon the same.

That the said Committee be empowered to send for persons, papers and records."

In obedience to the foregoing, the Committee held a meeting for organization on February 23, 1956, at which the Honourable Senator Turgeon was elected Vice Chairman, and a Steering Committee appointed. The Steering Committee was comprised of the Chairman and the Honourable Senators Beaubien, Burchill, Crerar, Haig and Turgeon.

Subsequently the Committee held nine meetings and heard evidence from a comprehensive group engaged in the public service. The evidence adduced was sufficient, in the opinion of your Committee, to justify the early adoption of the recommendations set forth herein.

### 1. *Gross National Product and Expenditure.*

Frequently heard in the evidence were such terms as national income, gross national product and gross national expenditure, as set out in Exhibits 1, 2 and 3. Further, evidence was adduced on government expenditures at municipal, provincial and federal levels, expressed in percentage of national income in Exhibits 4 and 5. Your Committee feel that a definition of these terms and the relationship they bear to the national economy would be timely.

National income is the total of the annual earnings of Canadian residents from the production of goods and services. As such, it includes salaries, wages and other forms of employee earnings, in cash or in kind, as well as military pay and allowances. It includes also corporation profits, interest, net rent, and the net income of farmers and others who are in business on their own account. If we add to national income the total of indirect taxes less subsidies and the total of depreciation allowances and similar business costs, we arrive at gross national product or the total value at market prices of the goods and services produced in a year. The difference between the two aggregates, national income and gross national product, can be readily seen by examining the costs which go to make up the market price of a particular good which sells for a price of \$1.00. Let us say that wage and salary costs throughout the many stages of production and distribution of this article amount to 50

cents. In addition, let us suppose that a further 25 cents goes for interest on investment, rent and profit, and here again these are the earnings associated with all the stages of manufacture, transportation and selling through which the article passes. The earnings on the production of this article total 75 cents and this appears as national income. The price which the consumer pays however includes other charges which are not earnings of Canadians: 13 cents for sales, excise, real property and other taxes apart from taxes on net income and 12 cents for depreciation and obsolescence on the plant used to produce the article. These further costs bring the total to \$1.00, the market price which the consumer pays, and this new and larger total appears as the gross national product.

The nation, like the individual, has both an income and an expenditure account and these must balance if allowance is made for saving and investment. Thus, gross national expenditure measures the same aggregate as gross national product but in a different way. As indicated above, the gross national product is estimated by adding up all the costs of production to obtain the total value at market prices of the goods and services produced by Canadians in a year. These goods and services must, of course, either be sold at home or abroad or added to inventories. Hence, we can obtain the same total as gross national product by adding together all final sales and adjusting them for imports and for changes in inventories, and this aggregate is referred to as gross national expenditure. In our example above the article which appeared as \$1.00 in gross national product because that was the total of its costs of production will also appear as \$1.00 in gross national expenditure because that is what the final consumer pays for it. On the one hand, we have the earnings and costs to which Canadian production gives rise or the gross national product and, on the other hand, the disposition that is made of the total Canadian product or the gross national expenditure. Both are useful in a study of the Canadian economy and changes in the totals and in the relationships of their components are worthy of attention.

Exhibit 1 shows national income, gross national product and gross national expenditure for the years 1929, 1939 and 1947-55. The growth in the gross national product was particularly large in 1955 and amounted to 10 per cent over the somewhat reduced output of 1954. This evidence of sharp economic recovery from the hesitation of 1954 is particularly encouraging but we offer only this brief comment on it and turn to the relationship of government taxation and expenditure to the total earnings of Canadians. Exhibit 2 shows the total taxation of all three levels of government in Canada, federal, provincial and municipal, as a percentage of national income for the years 1929, 1939 and 1947 to 1955 with comparable figures for the United Kingdom and United States. Exhibit 3 shows government defence expenditure, non-defence expenditure on goods and services, and transfer payments and subsidies as percentages of national income for the years 1929, 1939 and 1947 to 1955.

It is perhaps necessary to explain why taxes have been expressed as a percentage of national income rather than as a percentage of gross national product. The reason is simple. Since taxes must be paid out of earnings they should be related to earnings and, as shown above, national income is the total of all the earnings of Canadian residents. The percentage of taxes to national income represents in effect the proportion of their earnings which Canadians choose through their governments to spend collectively for certain agreed ends.



In 1955 Canadians paid to their federal, provincial and municipal governments 31·2 cents out of every \$1.00 earned compared with 22·4 cents in 1939 and 17·3 cents in 1929.\* This is the total tax take for all levels of government in Canada. In addition, governments have available certain investment income such as profits from government corporations and interest on loans. Thus, quite apart from the effect of surpluses or deficits, the total of expenditures shown below will be somewhat different than the total tax take. Why has the relative importance of government spending and taxation risen in this fashion?

In 1929, out of every dollar of national income about ·5 cents was spent for defence and in 1939 about 1·6 cents. Today 8·4 cents out of every dollar of national income goes for defence. In 1929, out of every dollar of national income 5 cents went for transfer payments such as old age pensions, veterans' benefits, interest on the unproductive debt which had arisen during periods of deficit financing and for subsidies, but by 1939 this had risen to 8·8 cents. Today about 11·1 cents out of every dollar earned by Canadians goes for these same purposes. For all the other broad purposes of government: law and order, education, health and sanitation, roads, fire protection, etc., 13·8 cents were spent out of every dollar of national income in 1929 compared with 15·2 cents in 1939 and 13·7 cents today. This latter is the only category which has remained relatively stable in relation to national income over the past quarter of a century. Since the pre-war year 1939 almost the whole increase has been in defence expenditure. There has been a moderate increase in the relative importance of transfer payments but this is almost offset by the slight decline in the relative importance of other government expenditure on goods and services.

The second question which naturally arises is the extent of burden represented by government taxation of a little more than 31 cents out of every dollar of national income. This percentage cannot of course be taken by itself as a complete indication of burden. In the first place, the burdensomeness of taxation depends to some extent upon what the taxpayer is left with after paying his taxes. A rich nation like a rich man can pay a higher proportion of income and still retain a much higher absolute amount for private expenditure. That mythical figure, the average Canadian, (man, woman and child) after paying 31 cents in taxes out of every dollar of income, has about \$920.00 per annum left today compared with the \$300.00 per annum left in 1939 after payment of smaller taxes. After making allowance for price increases, real income per capita after payment of all taxes has risen almost 50 per cent between 1939 and 1955.

In the second place it is necessary to examine the kind as well as the amount of government expenditure to get some idea of the degree of burden or of the degree of interference with private business. The percentage which taxation bears to national income is high in this country as it is in the United States but not quite so high as in the United Kingdom. The real problem here is how far the percentage of taxes to national income can rise before it interferes with the incentives to produce which are the mainsprings of economic activity and which underlie the growth of income from which taxes are paid. This is a very practical problem of the burden which higher taxation places on our taxing machinery and of the effects it may have, directly and indirectly, on production. But the burden on our tax-collecting machinery is a very

\* This is the total tax take for all levels of government in Canada. In addition, governments have available certain investment income such as profits from government corporations and interest on loans. Thus, quite apart from the effect of surpluses or deficits, the total of expenditures shown below will be somewhat different than the total tax take.

different thing than the burden on the Canadian people since many services, such as education, if not performed by government, would have to be paid for directly by private expenditure.

In considering the kind as well as the amount of government expenditure, the wider acceptance of the government's role in social welfare has led to a great increase in direct payments to individuals. These are the transfer payments referred to above, and the largest of them, are of course, the family allowances and old age pensions. While a little more than 11 cents out of every dollar of national income is in the first instance taken away from the Canadian people through taxation for these purposes, this same amount is returned as money payments and spent in accordance with individual preferences. When we say that a little over 31 cents out of every dollar of national income is taken in taxation we should remember, therefore, that about one-third of this amount, or a little more than 11 cents, is returned to the Canadian people in the form of money payments to be spent in accordance with individual preferences.

A further consideration with regard to the burden of taxation is that taxation may be more burdensome if it supports expenditure which however necessary does not contribute in a positive fashion to the standard of living of the average Canadian. In this respect there is a fundamental difference between taxation which is used to finance expenditure for education or welfare and expenditure for defence. On this score we would have to say that the burden of taxation has increased in the post-war period. Defence expenditures are today about 25 per cent of total government expenditure for all levels of government in Canada. They are necessary in that they constitute a sort of insurance premium but they involve a diversion of income to what the average Canadian would regard an unproductive use.

The lesson of the above figures is that without the growth in these defence expenditures in the post-war period we would have been able to carry on the broad purposes of government and even to expand, as we have done, our participation in the field of social welfare without materially affecting the relationship of taxes to national income. The fact that increased expenditures for defence and the greater expenditures for other purposes as well have not led to even higher percentages of taxation to national income is because of our great good fortune in the growth of the income of this country. While we all hope and expect that such growth will continue, it would be unwise to take it for granted or to use it as an excuse for extravagance in public spending or in public demands on government. This is particularly true in a period such as now when the resources of the economy are fully employed.

## *2. Preparation of Estimates.*

During the examination of the Estimates your Committee found that, owing to the system followed over the years whereby services supplied to the various departments by Public Works are not charged to the department concerned, the Estimates of the various departments do not reflect the actual departmental costs.

The Post Office Department, for example, enjoys services and facilities valued at approximately thirteen million dollars annually, and no items indicating the cost of such service appear in the Post Office Estimates.

Your Committee therefore recommend that interdepartmental allocations be clearly set out in conjunction with the Estimates of the receiving department, in order that the document may more truly reflect the department's operations.

As a corollary to this recommendation, it is urged that the Post Office Department charge all departments of government for the approximately five million dollars which the Committee was informed it is obliged to spend annually in carrying the government's mail.

### 3. *Responsibility for Public Works.*

In its 1952 report, your Committee found that while the Public Works Department had the responsibility of providing and maintaining all public buildings and works, many departments of government were spending more for these purposes than the Department of Public Works and it was recommended at that time that the practice be halted.

Under the current order of reference your Committee has endeavoured to ascertain the extent to which the 1952 recommendations had been implemented. Evidence submitted indicated that this practice is being abandoned and the responsibility being returned to its proper place under the Public Works Department. A number of departments have turned over their works staffs to Public Works and this desirable practice is, we were informed, being steadily extended.

While the Committee is gratified by this improved practice and the progress made to date, it is obvious that much remains to be done in this regard. It is again strongly urged, therefore, that efforts be made to accelerate the process.

### 4. *Government Annuities.*

Your Committee heard evidence with respect to the operation of government annuities, indicating that since its inception, the fund had been subsidized by the government to the extent of thirty-one million dollars, not including administration costs of over eleven millions for the same period. The annual cost to the taxpayers for the current operation of this service was estimated at approximately one million dollars.

Further inquiries revealed that the estimated deficit ultimately to be faced on the old contracts, which were based on inadequate rates, is of the order of forty million dollars. To put the fund on a sound actuarial basis, provision should now be made for this known future liability instead of waiting year by year for the annual deficits to occur.

While the authors of the Government Annuities Act of 1908 were obviously concerned with the laudable aim of providing, for persons of modest means, a source of security not otherwise available at the time, few such persons now avail themselves of the facility. On the contrary, the service would appear now to be used largely by business organizations concerned with setting up pension funds for their employees.

The advent of old age pensions and the entry by most insurance companies into the annuity field, have served to remove the basis on which the Act was established, and your Committee is concerned with the justification of continuing, in deficit, a fund which no longer serves its original purpose.

In the light of these considerations, if Parliament is still desirous of continuing the sale of annuities, your Committee recommend that the tables of rates for future annuities be revised to provide a revenue sufficient to maintain the fund on a self-supporting basis, including the cost of administration.



### 5. *Land Procurement.*

From the evidence obtained on this subject it appears that the responsibility for purchasing land and buildings for government use is spread over many individuals and departments. It is the view of your Committee that such diversification tends to defeat the application of an overall policy so necessary in a field where large government spending is indicated.

Your Committee therefore recommend the establishment of a Real Estate Procurement Branch, within the Department of Public Works, to be staffed by persons highly qualified in all phases of real estate. This branch would have the responsibility of appraising and purchasing real estate for all departments of government, with the exception of the Departments of Transport and National Defence, which at present have statutory authority in this matter, and would ensure the application of a common policy to all such transactions.

### 6. *Rented Accommodation.*

Your Committee view with concern the extent to which government departments are housed in rented accommodation. It is possible that in long-term lease contracts, or renewable short-term contracts, the amount paid in rent could exceed the original cost or value of the accommodation.

This practice, in your Committee's opinion, is uneconomic and should be discouraged.

Where long-term tenancy is indicated, and with regard to the prevailing economic trends in the locality, renting should only be considered when all possibilities of outright purchase or construction have been exhausted.

### 7. *Financial Accounting.*

Your Committee noted that the cost of capital works such as the construction of new buildings are charged in full to the year in which they are incurred. It is the feeling of some members of your Committee that in such cases a capital asset should be set up and subsequently depreciated as would be the case in commercial or business practice.

The present system, established in 1920, is based on the premise that the assets and liabilities of Canada should be set out so as to disclose the amount of the net debt. Therefore assets which are not readily convertible or interest producing are not considered as a proper offset to the gross liabilities in determining the net debt.

Your Committee regrets that time does not permit a comprehensive study of this question and suggests that the Standing Committee on Finance, at the next Session of Parliament, consider the matter at length, with a view to possible changes in line with modern accounting methods.

### 8. *Inflation and Export Markets.*

Your Committee gave some consideration to the danger to Canadian export markets inherent in the inflationary trend, with its higher costs of production.

The danger inherent in this trend is immediately obvious. The ability to compete successfully in foreign markets is based, to a large extent, on the domestic cost of production, and increases in the latter cannot help but have damaging effects on the former.

Your Committee feel that a study of all production costs should be made if these inflationary trends are to be curbed and if Canada's valuable export market is to be safeguarded. An exhaustive inquiry into this subject at the next Session of Parliament is strongly recommended.

All which is respectfully submitted.

C. G. HAWKINS,  
*Chairman.*



## EXHIBIT No. 1

## GROSS NATIONAL EXPENDITURE, 1929, 1939 AND 1947-1955

(millions of dollars)

	1929	1939	1947	1948	1949 <sup>1</sup>	1950 <sup>1</sup>	1951 <sup>1</sup>	1952 <sup>1</sup>	1953 <sup>1</sup>	1954 <sup>1</sup>	1955 <sup>1</sup>
Personal expenditure on consumer goods and services.....	4,393	3,904	9,173	10,112	10,963	12,029	13,273	14,366	15,125	15,776	16,811
Government expenditure on goods and services.....	682	735	1,570	1,798	2,128	2,326	3,243	4,245	4,359	4,361	4,614
Gross domestic investment— <sup>3</sup>											
New residential construction.....	247	185	506	637	742	801	781	786	1,061	1,166	1,476
New non-residential construction.....	486	166	599	818	903	1,026	1,260	1,554	1,706	1,659	1,775
New machinery and equipment.....	597	254	1,016	1,230	1,323	1,389	1,769	1,916	2,073	1,841	2,017
Change in inventories.....	61	331	947	605	231	960	1,620	310	549	-280	450
Exports of goods and services.....	1,632	1,451	3,638	4,054	4,011	4,183	5,089	5,573	5,400	5,136	5,696
Deduct: Imports of goods and services.....	1,945	-1,328	-3,621	-3,636	-3,837	-4,513	-5,613	-5,400	-5,843	-5,562	-6,347
Residual error on estimate.....	13	9	-60	-5	-2	2	52	-95	19	51	132
GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	6,166	5,707	13,768	15,613	16,462	18,203	21,474	23,255	24,449	24,148	26,624

<sup>1</sup> Includes Newfoundland.<sup>2</sup> Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also, includes the changes in inventories of government commodity agencies.<sup>3</sup> Include capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

## EXHIBIT No. 1—Concluded

NATIONAL INCOME AND GROSS NATIONAL PRODUCT, 1929, 1939 AND 1947-55  
(millions of dollars)

	1929	1939	1947	1948	1949 <sup>1</sup>	1950 <sup>1</sup>	1951 <sup>1</sup>	1952 <sup>1</sup>	1953 <sup>1</sup>	1954 <sup>1</sup>	1955 <sup>1</sup>
Wages, salaries and supplementary labour income.....	2,929	2,575	6,221	7,170	7,761	8,311	9,716	10,868	11,706	11,989	12,861
Military pay and allowances.....	8	32	83	82	115	137	201	270	309	367	394
Investment income.....	836	917	2,269	2,464	2,445	3,155	3,642	3,763	3,800	3,715	4,471
Net income of unincorporated business—											
Accrued net income of farm operators from farm production <sup>2</sup> .....	408	385	1,223	1,518	1,504	1,503	2,072	1,851	1,653	1,058	1,421
Net income of non-farm unincorporated business <sup>3</sup> .....	608	464	1,189	1,326	1,369	1,444	1,507	1,574	1,688	1,645	1,753
NET NATIONAL INCOME AT FACTOR COST.....	4,789	4,373	10,885	12,560	13,194	14,550	17,138	18,326	19,156	18,774	20,900
Indirect taxes less subsidies.....	681	733	1,604	1,772	1,830	2,018	2,478	2,714	2,901	2,914	3,177
Depreciation allowances and similar business costs.....	709	610	1,118	1,276	1,437	1,636	1,910	2,120	2,411	2,511	2,679
Residual error of estimate.....	-13	-9	61	5	1	-1	-52	95	-19	-51	-132
GROSS NATIONAL PRODUCT AT MARKET PRICES.	6,166	5,707	13,768	15,613	16,462	18,203	21,474	23,255	24,449	24,148	26,624

<sup>1</sup> Includes Newfoundland.<sup>2</sup> This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation of adjustment for grain in Wheat Board Channels.<sup>3</sup> Includes net income of independent professional practitioners.

## EXHIBIT No. 2

TAXATION IN CANADA, THE UNITED STATES AND THE UNITED KINGDOM,  
1954 AND 1955  
(all levels of government)

	Canada Canadian \$ million		United States U.S. \$ million		United Kingdom U.K. \$ million	
	1954	1955	1954	1955	1954	1955
Net National Income at factor cost....	18,774	20,900	299,900	322,500	14,940	n.a.
Taxes as a percentage of Net National Income at factor cost—						
Direct personal taxes.....	7.6	7.1	10.9	10.5	9.3	
Direct corporation taxes.....	6.2	6.5	5.7	6.8	6.7	
Indirect taxes.....	16.0	15.6	10.1	10.0	16.6	
Social insurance contributions.....	2.1	2.0	3.2	3.4	3.6	
Total taxes.....	31.9	31.2	29.9	30.7	36.2	

TOTAL TAXES (DIRECT AND INDIRECT) AS A PERCENT OF NET NATIONAL INCOME  
AT FACTOR COST  
(all levels of government)

	Canada Percent	United States Percent	United Kingdom Percent
1929.....	17.3	12.9	n.a.
1939.....	22.4	20.9	n.a.
1945.....	28.5	29.3	n.a.
1946.....	31.6	27.5	40.6
1947.....	31.5	27.9	40.9
1948.....	28.5	26.4	42.3
1949.....	27.8	26.4	41.3
1950.....	27.9	28.2	39.3
1951.....	31.5	30.7	41.3
1952.....	32.0	31.4	38.8
1953.....	31.6	31.5	37.1
1954.....	31.9	29.9	36.2
1955.....	31.2	30.7	n.a.

## EXHIBIT No. 3

GOVERNMENT EXPENDITURE, FEDERAL, PROVINCIAL AND MUNICIPAL AS A  
PERCENTAGE OF NATIONAL INCOME  
1929, 1939, 1947-55

Government expenditure on goods and services	1929	1939	1947	1948	1949	1950	1951	1952	1953	1954	1955
Defence.....	0.5	1.6	2.1	1.9	2.7	3.4	6.8	9.8	10.0	9.2	8.4
Non-defence.....	13.8	15.2	12.2	12.4	13.4	12.6	12.2	13.3	12.8	14.0	13.7
Transfer payments and sub- sidies.....	5.0	8.8	13.5	11.2	11.4	10.6	9.4	10.5	10.8	11.9	11.1



## STANDING COMMITTEE

## EXHIBIT No. 4

## NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1953-1955

(millions of dollars)

	1953					1954					1955				
	I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income.....	2,792	2,902	3,003	3,009	11,706	2,855	2,947	3,074	3,113	11,989	2,984	3,153	3,327	3,397	12,861
2. Military Pay and Allowances.....	70	77	79	83	309	83	92	95	97	367	93	100	101	100	394
3. Investment Income	885	1,024	1, 18	873	3,800	843	965	1,002	905	3,715	907	1,184	1,267	1,113	4,471
Net Income of Unincorporated Business:															
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	18	83	1,386	166	1,653	42	119	734	163	1,058	21	146	1,076	178	1,421
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	348	453	447	440	1,688	334	426	445	440	1,645	346	450	479	478	1,753
6. NET NATIONAL INCOME AT FACTOR COST.....	4,113	4,539	5,933	4,571	19,156	4,157	4,549	5,350	4,718	18,774	4,351	5,033	6,250	5,266	20,900
7. Indirect Taxes less Subsidies.....	691	732	742	736	2,901	716	734	728	736	2,914	750	778	816	833	3,177
8. Depreciation Allowances and Similar Business Costs.....	543	601	603	664	2,411	575	639	630	667	2,511	609	672	674	724	2,679
9. Residual Error of Estimate.....	-8	-88	10	67	-19	-17	-72	-20	58	-51	-37	-38	-44	-13	-13
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,339	5,784	7,288	6,038	24,449	5,431	5,850	6,688	6,179	24,148	5,673	6,445	7,696	6,810	26,624
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,321)	(5,701)	(5,902)	(5,872)	(22,796)	(5,389)	(5,731)	(5,954)	(6,016)	(23,090)	(5,652)	(6,299)	(6,620)	(6,832)	(25,203)

<sup>1</sup> This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.<sup>2</sup> Includes net income of independent professional practitioners.

## EXHIBIT No. 4—Concluded

## GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953-1955

(millions of dollars)

	1953				1954				1955						
	I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	3,475	3,786	3,659	4,205	15,125	3,615	3,949	3,825	4,387	15,776	3,749	4,230	4,123	4,709	16,811
2. Government Expenditure on Goods and Services <sup>1,4</sup> ....	1,162	879	1,186	1,132	4,359	1,121	874	1,183	1,183	4,361	1,167	950	1,269	1,237	4,614
Gross Domestic Investment <sup>2</sup>															
3. New Residential Construction <sup>5</sup> .....	190	273	302	296	1,061	206	283	334	343	1,166	245	377	422	432	1,475
4. New Non-Residential Construction.....	311	412	523	460	1,706	332	410	486	431	1,659	327	419	534	495	1,775
5. New Machinery and Equipment <sup>6</sup> .....	522	592	520	439	2,073	460	544	434	403	1,841	417	568	525	507	2,017
6. Change in Inventories.....	-149	-48	1,126	-380	549	-136	-118	394	-280	-280	-120	29	871	-330	450
7. (Business Inventories only) <sup>3</sup> .....	(96)	(215)	(132)	(-90)	(353)	(104)	(-1)	(-75)	(-148)	(-120)	(141)	(97)	(51)	(-32)	(257)
8. Exports of Goods and Services.....	1,154	1,399	1,478	1,369	5,400	-1,089	1,278	1,397	1,372	5,136	1,212	1,417	1,560	1,507	5,696
9. Deduct: Imports of Goods and Services.....	-1,335	-1,597	-1,496	-1,415	-5,843	-1,272	-1,442	-1,386	-1,462	-5,562	-1,361	-1,584	-1,643	-1,759	-6,347
10. Residual Error of Estimate.....	9	88	-10	-68	19	16	72	21	-58	51	37	39	44	12	132
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,339	5,784	7,288	6,038	24,449	5,431	5,850	6,888	6,179	24,148	5,673	6,445	7,696	6,810	26,624

<sup>1</sup> Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

<sup>2</sup> Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

<sup>3</sup> Excluding grain in commercial channels and change in farm inventories.

<sup>4</sup> Includes defense expenditures of:  
1953

	1954				1955					
	I	II	III	IV	Year	I	II	III	IV	Year
590	401	452	464	1,907		528	360	399	440	1,727
						520	391	414	435	1,760

<sup>5</sup> In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

<sup>6</sup> See footnote 6, Table 15.

## EXHIBIT No. 5

## SUMMARY OF NET GENERAL REVENUE AND EXPENDITURE

## ALL GOVERNMENTS IN CANADA

## EXCLUDING INTER-GOVERNMENT TRANSFERS

Fiscal Years Ended Nearest December 31, 1939, 1945 and 1951 to 1955

	Government of Canada	Provincial Governments	Municipal Governments	All Governments
<hr/>				
Revenue	Millions of Dollars			
<hr/>				
1939.....	480	236	317	1,033
1945.....	2,382	322	345	3,049
1951.....	3,787	949	660	5,396
1952.....	4,392	924	738	6,054
1953.....	4,479	993	811	6,283
1954 <sup>1</sup> .....	4,202	1,021	883	6,106
1955 <sup>2</sup> .....	4,493	1,008	949	6,450
<hr/>				
	Percentage			
<hr/>				
1939.....	46·47	22·84	30·69	100·00
1945.....	78·12	10·56	11·32	100·00
1951.....	70·18	17·59	12·23	100·00
1952.....	72·55	15·26	12·19	100·00
1953.....	71·29	15·80	12·91	100·00
1954 <sup>1</sup> .....	68·82	16·72	14·46	100·00
1955 <sup>2</sup> .....	69·66	15·63	14·71	100·00
<hr/>				
Expenditure <sup>3</sup>	Millions of Dollars			
<hr/>				
1939.....	571	355	305	1,231
1945.....	4,414	376	343	5,133
1951.....	3,305	1,052	786	5,143
1952.....	3,981	1,183	907	6,071
1953.....	4,047	1,230	1,010	6,287
1954 <sup>1</sup> .....	4,092	1,370	1,225	6,687
1955 <sup>2</sup> .....	4,416	1,469	1,292	7,177

## EXHIBIT No. 5—Concluded

	Government of Canada	Provincial Governments	Municipal Governments	All Governments
	Percentage			
1939.....	46.39	28.84	24.77	100.00
1945.....	85.99	7.33	6.68	100.00
1951.....	64.26	20.46	15.28	100.00
1952.....	65.57	19.49	14.94	100.00
1953.....	64.37	19.56	16.07	100.00
1954 <sup>1</sup> .....	61.19	20.49	18.32	100.00
1955 <sup>2</sup> .....	61.53	20.47	18.00	100.00

<sup>1</sup> Preliminary in the case of Federal and Provincial; estimated for Municipal.

<sup>2</sup> Estimated.

<sup>3</sup> Excluding debt retirement.

NOTE: Revised to agree with statistics prepared for Federal-Provincial Conference held in October 1955.

Prepared in Dominion Bureau of Statistics, Public Finance and Transportation Division March 1956.

## EXHIBIT No. 6

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA  
EXCLUDING MEMBERS OF THE ARMED FORCES, THE R.C.M.P., AND  
STATUTORY EMPLOYEES

Year	Government Departments	Crown Corporations
March 31, 1939.....	46,106	67,752
March 31, 1945.....	115,908	161,464
March 31, 1948.....	118,370	119,566
March 31, 1951.....	124,866	115,942
March 31, 1952.....	137,037	136,400
March 31, 1953.....	159,654	143,438
March 31, 1954.....	165,454	139,473
February 28, 1955.....	174,860	138,094
February 29, 1956.....	177,556(d)	146,404(d)

## NOTES

1. The statistics for the last four years were prepared on a slightly different basis from that of the previous years given. The latter, however, can be accepted as approximately correct in comparison with the last four years.

2. Crown Corporations. Figures for all years were supplied by the Bureau of Statistics based on data gathered by them from the Corporations.



## EXHIBIT No. 6—Continued

Department (a)	March 31, 1953	March 31, 1954	February 28, 1955	February 29, 1956
Agriculture.....	7,320	7,544	7,712	7,413
Auditor General.....	145	140	139	125
Chief Electoral Officer.....	22	19	17	17
Citizenship and Immigration.....	3,435	3,462	3,854	3,902
Civil Service Commission.....	578	570	598	583
Defence Production.....	1,678	1,522	1,446	1,453
External Affairs.....	1,375	1,454	1,527	1,552
Finance.....	784	801	789	736
Comptroller of the Treasury.....	4,130	4,145	4,107	3,987
Royal Canadian Mint.....	226	215	222	190
Tariff Board.....	17	15	16	13
Fisheries.....	1,875	1,847	1,845	1,903
Governor General's Secretary.....	16	12	13	13
House of Commons.....	676	687	667	664
Insurance.....	94	94	90	92
International Joint Commission.....	20	20	21	22
Justice.....	230	246	254	236
Penitentiaries Branch.....	1,615	1,705	1,728	1,644
Labour.....	633	650	596	590
Unemployment Insurance Commission...	8,330	8,881	8,845	8,923
Library of Parliament.....	45	49	61	61
Mines and Technical Surveys.....	1,703	1,919	1,991	2,372
National Defence—				
Administration.....	5,126	5,601	5,858	5,750
Army Services.....	18,257	18,832	22,097	22,837
Naval Services.....	9,514	9,648	11,393	12,063
Air Services.....	9,923	11,637	14,212	15,428
National Film Board.....	558	553	581	603
National Health and Welfare—				
Departmental Administration.....	331	438	523	456
Health Branch.....	890	906	885	1,018
Welfare Branch.....	924	867	869	843
Indian Health Services.....	1,582	1,526	1,654	1,699
National Library.....	14	19	23	28
National Research Council and Atomic Energy Control Board.....	2,268	2,415	2,541	2,575
National Revenue—				
Customs and Excise.....	6,654	6,790	7,219	7,232
Income Tax.....	6,785	7,264	6,725	6,480
Post Office (b).....	19,298	19,789	21,321	21,745
Prime Minister's Office and Privy Council Office.....	107	103	103	90
Public Archives.....	65	59	62	71
Public Printing and Stationery.....	1,199	1,295	1,382	1,468
Public Works.....	7,595	7,797	7,842	7,590
Northern Affairs and National Resources.	2,402	2,335	2,610	2,669
Royal Canadian Mounted Police.....	849	903	933	932
Secretary of State.....	522	554	578	596

## EXHIBIT No. 6—Continued

Department (a)	March 31, 1953	March 31, 1954	February 28, 1955	February 29, 1956
Senate.....	156	161	160	158
Trade and Commerce (including Dominion Bureau of Statistics).....	2,853	2,649	2,649	2,627
Board of Grain Commissioners.....	833	826	836	831
Canadian Government Elevators.....	238	224	206	199
Transport.....	11,336	12,074	11,211	11,955
Air Transport Board.....	52	53	50	46
Board of Transport Commissioners.....	158	167	165	138
Veterans Affairs.....	13,042	12,847	12,519	12,031
Soldier Settlement and Veterans' Land Act.....	1,176	1,125	1,115	907
Sub Total, Government Departments....	159,654	165,454	174,860	177,556(d)
Revenue Postmasters.....	9,355	9,213	9,068	8,890
Total.....	169,009	174,667	183,928	186,446(d)
Crown Corporations (c).....	143,438	139,473	138,094	146,404
Grand Total.....	312,447	314,140	322,022	332,850

## NOTES:

- (a) The statistics for regular Government Departments include Classified Employees, Prevailing Rate Employees, Casual Employees and Ships' Officers and Crews.

Classified employees comprise those paid on the basis of stated annual salaries, the vast majority being under certificate of the Civil Service Commission, the balance being employed under the authority of other statutes (e.g. staffs of the National Research Council, the National Film Board, and the Canadian Government Elevators).

Prevailing Rate Employees are those whose remuneration is based on the prevailing hourly, daily or monthly rate for similar type of work in the area of employment and who occupy a continuing year round position on the establishment of a Department. Casual Employees are those whose remuneration is based on the prevailing hourly, daily or monthly rate for a similar type of work in the area of employment and who are employed for short periods of time in connection with specific projects.

Ships' Officers and Crews are employed on Canadian Government Vessels.

- (b) Excludes revenue postmasters, figures for which are shown separately immediately below the sub-total.

- (c) The Crown Corporations for which staff strengths are included in this total are—

Atomic Energy of Canada, Ltd.  
Bank of Canada  
Canadian Arsenal Ltd.  
Canadian Broadcasting Corporation  
Canadian Commercial Corporation  
Canadian National Railways  
Canadian National (West Indies) Steamships, Ltd.  
Canadian Overseas Telecommunication

## EXHIBIT No. 6—Concluded

Canadian Wheat Board  
 Central Mortgage and Housing Corporation  
 Crown Assets Disposal Corporation  
 Defence Construction, Ltd.  
 Eldorado Mining and Refining, Ltd.  
 Export Credits Insurance Corporation  
 Hudson Bay Railway  
 Industrial Development Bank  
 National Harbours Board  
 Northern Transportation Co. Ltd.  
 Northwest Territories Power Comm.  
 Polymer Corporation, Ltd.  
 Prince Edward Island Car Ferry  
 St. Lawrence Seaway Authority  
 Trans-Canada Air Lines

- (d) For stricter comparability of February 1956 figures with those for the three previous years, 579 employees representing total staffs of the following:

Canadian Farm Loan Board  
 Canadian Patents and Development Ltd  
 Federal District Commission  
 Halifax Relief Commission  
 International Pacific Salmon Fisheries Commission  
 International Pacific Halibut Commission  
 National Battlefields Commission  
 The Office of the Custodian

should be deducted from the total of Crown Corporations (146,404) and be added to Sub-Total Government Departments (177,556).

## EXHIBIT No. 7

SUMMARY OF ANNUAL ESTIMATES OF THE GOVERNMENT OF CANADA BY STANDARD OBJECTS  
OF EXPENDITURES AND SPECIAL CATEGORIES

Total, all Departments

	1938-39	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
	(in millions of dollars)						
(1) Civil Salaries and Wages.....	76.9	367.5	413.9	450.6	515.9	554.4	580.6
(2) Civilian Allowances.....	1.2	7.7	8.3	8.8	9.2	9.8	9.8
(3) Pay and Allowances, Defence Forces and R.C.M. Police.....	15.1	223.3	266.5	297.5	339.2	380.3	402.2
(4) Professional and Special Services....	4.3	36.1	39.1	43.7	48.6	52.9	67.9
(5) Travelling and Removal Expenses...	4.6	36.5	48.1	53.7	59.4	61.9	62.2
(6) Freight, Express and Cartage.....	0.7	13.4	19.3	18.8	17.9	22.0	30.6
(7) Postage.....	0.4	3.7	3.7	3.9	5.1	5.5	5.6
(8) Telephones, Telegrams and Other Communication Services.....	0.7	8.5	10.9	13.0	12.9	14.2	15.2
(9) Publication of Departmental Reports and Other Material.....		6.7	7.3	7.7	7.2	6.8	7.1
(10) Films, Displays, Advertising and Other Information Publicity.....	1.8	10.8	10.6	10.0	11.2	10.2	11.3
(11) Office Stationery, Supplies, Equip- ment and Furnishings.....	2.7	18.3	18.4	19.4	19.6	19.6	20.0
(12) Materials and Supplies .....	6.1	263.3	379.6	228.9	213.2	196.6	191.5

## EXHIBIT No. 7—Concluded

1938-39 1951-52 1952-53 1953-54 1954-55 1955-56 1956-57

(in millions of dollars)

BUILDINGS AND WORKS, INCLUDING  
LAND

(13)	Construction or Acquisition.....	34.9	442.5	507.5	449.4	382.9	337.9	384.8
(14)	Repairs and Upkeep.....	4.0	46.5	59.0	42.0	37.9	40.6	48.0
(15)	Rentals.....	1.8	9.3	10.4	11.5	13.8	15.3	15.9

## EQUIPMENT

(16)	Construction or Acquisition.....	14.3	697.9	797.6	919.2	850.8	684.5	583.1
(17)	Repairs and Upkeep.....	1.2	104.1	155.9	142.1	164.7	157.2	163.7
(18)	Rentals.....		1.1	1.2	1.2	1.7	2.0	1.9
(19)	Municipal or Public Utility Services	0.9	9.7	13.6	16.8	18.3	20.4	25.3
(20)	Contributions, Grants, Subsidies, etc., not included elsewhere.....	50.7	117.3	193.8	518.3	479.2	326.5	309.6
(21)	Pensions, Superannuation and Other Benefits.....	5.5	152.5†	79.6	102.1	88.2	79.1	91.0
(22)	All other Expenditures (other than Special Categories).....	14.0	35.6	39.9	42.5	41.6	43.1	50.8

Total Standard Objects.....	241.8	2,612.3	3,074.2	3,401.1	3,338.5	3,040.8	3,079.1
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## SPECIAL CATEGORIES

(23)	Interest on Public Debt and Other Debt Charges.....	132.4	437.7	435.5	469.0	511.5	487.1	524.6
(24)	Subsidies and Special Payments to the Provinces.....	21.2	115.1	32.3 (317.1)	328.4	350.8	350.5	384.2
(25)	Family Allowances Payments.....		320.0	332.2	348.8	366.0	383.6	399.2
(26)	Old Age Pensions, including Allow- ances to the Blind and the Disabled.	30.5	187.4	23.0	25.1	24.6	31.1	32.2
(27)	Veterans Disability Pensions and Other Payments under the Pension Act.....	40.9	103.8	127.2	127.7	128.9	129.8	132.7
(28)	Other Payments to Veterans and Dependents.....	9.4	56.8	46.8	46.2	43.3	41.0	49.8
(29)	Government's Contribution to the Unemployment Insurance Fund.....		30.2	32.0	32.0	33.7	32.5	25.6
(30)	General Health Grants.....		25.0	27.5	30.0	31.8	31.8	33.7
(31)	Trans-Canada Highway Contribu- tions.....		15.2	15.0	15.0	20.0	20.0	20.0
(32)	Movement of Mail by Land, Air and Water (Post Office).....	15.6	38.2	41.4	45.6	48.0	46.6	45.8
(33)	Deficits—Government Owned Enter- prises.....	57.2	17.9	4.9	5.5	34.1‡	4.7	.....

Total Special Categories.....	307.2	1,347.3	1,117.8 (1,402.6)	1,473.2	1,592.7	1,558.7	1,663.7
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Total Standard Objects and Special Categories.....	549.0	3,959.6	4,192.0 (4,476.8)	4,874.4	4,931.2	4,599.5	4,742.8
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(34)	Less—Estimated Savings and Re- coverable Items.....	0.1	27.3	27.0	344.5	366.6	239.2	214.7
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Net Total Estimated Expendi- tures (Budgetary).....	548.9	3,932.3	4,165.0	4,529.9	4,564.6	4,360.3	4,528.1
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(26)	Old Age Pension Payments.....			322.0	344.9	355.9	367.6	379.5
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(Figures in brackets include amounts payable in 1952-53 under the 1952 Tax Rental Agreements but which were not shown in the printed Estimates for 1952-53).

## NOTES

†Includes \$75 million in 1951-52, being a special Government Contribution to the Civil Service Superannuation Account, designed to reduce the deficit in the Account.

‡Includes \$28.7 million in 1954-55, being the Canadian National Railways Deficit for 1954.



## EXHIBIT No. 8

EXPLANATORY NOTES COVERING THE STANDARD OBJECTS OF  
EXPENDITURE AND SPECIAL CATEGORIES

## STANDARD OBJECTS (Items 1 to 22)

*1. Civil Salaries and Wages*

Includes salaries and wages, overtime and other special pay of all civilian full time, part time, seasonal and casual personnel normally considered as "Government Employees" (but does not include employees of agency and proprietary Crown corporations) whether paid at hourly, daily, weekly, monthly or annual rates of pay. It also includes Judges' salaries, those of the Governor General and Lieutenant-Governors and the indemnities to Members of both Houses of Parliament but does not include persons engaged for a specific project where pay and other costs would normally enter into the total cost of the project.

*2. Civilian Allowances*

Includes all types of allowances paid to or in respect of personnel normally considered as "Government Employees", such as Living, Terminable, Officer-in-Charge, Living and Representation Abroad, Special Service, Northern, Isolation, and Board and Subsistence Allowances, Mileage Allowances to Railway Mail Service Staffs, Allowances for Assistants, and other such allowances. Also includes Ministers' Motor Car Allowances, and the Expense Allowances to Senators and Members of the House of Commons.

*3. Pay and Allowances—Defence Forces and R.C.M. Police*

Includes pay and all types of allowances (except travel allowances included in Item No. 5 below) payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

*4. Professional and Special Services*

Includes provision for services performed by individuals or organizations outside a particular departmental service, other than such services identified with specific works projects or with projects and programs for which provision is made under Items 9 and 10; payments in the nature of fees, commissions, etc. for legal services, architects', engineers', analysts', accountants', reporters', translators' and writers' services; medical and dental services, doctors and nurses for Veterans Treatment and examination of pension applicants, hospital treatment and care and other outside technical, professional and other expert assistance; annuities and other agents paid on a fee or commission basis, payments to church organizations for Indian education, and Corps of Commissioners services. It includes armoured car service and other operational and maintenance services performed under contract other than those more properly classified under other Items, such as the Marconi-operated Radio Stations of the Department of Transport which are included in Item No. 8.

### *5. Travelling and Removal Expenses*

Includes travelling and transportation expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police, removal expenses of those persons and their dependents, and living and other expenses of such persons on travel status; Judges' travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. It also includes transportation of persons by contract and chartered facilities or by other means, automobile mileage, aeroplane fares, local transportation, etc., travelling expenses of persons engaged in field survey work, inspections and investigations. Does not include travelling and transportation of other than Government Employees such as travel costs for deports, applicants for treatment or pensions (veterans), etc., which are classified under Item No. 22.

### *6. Freight, Express and Cartage*

Includes the cost of transportation of goods other than initial delivery cost on a purchase which is included in the Object covering the cost of the purchase itself. These costs range from the movement of mails from city Post Offices to the various Government Departments, to the movement of heavy equipment between camps and other establishments of the Defence Services.

### *7. Postage*

Includes ordinary postage, air mail, registered mail, special delivery mail, post office box rentals and any other postal charges. Does not, of course, include provision for mail enjoying the "frank" privilege.

### *8. Telephones, Telegrams and Other Communication Services*

Includes all costs of communication services by telephone, telegram, cable, teletype, radio and wireless communication (tolls, rates, rentals, etc.) and other communication costs such as Courier Services provided by outside agencies and communication services performed under contract or agreement such as the Marconi-operated Radio Stations of the Department of Transport.

### *9. Publication of Departmental Reports and Other Material*

Includes provision for the publication, through the Queen's Printer, of Departmental Reports and other material, including informational and educational bulletins and pamphlets; publications on scientific and technical matters, natural resources, statistics and other such material; Hansard and other Parliamentary Papers; maps, charts, etc. The costs of printing, binding, engraving, lithographing, artwork, mats, writers' fees, and other costs attributable to specific publication projects and programs are included hereunder, with the exception of those belonging under Items 1, 2 and 5. The costs of publications and material produced wholly within a Service are distributed throughout other Items. The printing of forms and other stationery is included under Item No. 11.

### *10. Exhibits, Advertising, Films, Broadcasting and Displays*

Includes provision for exhibits, films, displays and other visual materials; advertising for publicity and general purposes, including advertising for tenders (except that charges directly arising from specific construction projects or purchases are included under such headings). It includes publication of proclamations, announcements, notices, etc., and various forms of educational and

informational publicity, by broadcasting, poster, press and other means. The costs of artwork, writers' fees, casual employees hired for a specific project, and other costs attributable to the foregoing are included hereunder with the exception of those belonging under Items Nos. 1, 2 and 5, and the costs of projects or programs produced wholly within a Service where the costs are distributed throughout other Objects. Total provision for the operation of the National Film Board and the International Service of the Canadian Broadcasting Corporation is included under this Item.

#### *11. Office Stationery, Supplies, Equipment and Furnishings*

Includes stationery, envelopes, blotting paper and other office supplies such as pens, pencils, erasers, ink, etc.; printed forms, including tax return, statistical and like forms; letterheads, ledgers and ledger sheets, carbon paper, stencils and other paper supplies; the purchase, repair and rentals of office machines and appliances, including typewriters, adding machines, calculators, recording machines, tabulating machines, microfilming equipment and supplies, inter-office communication equipment, postal meter machines, machine records and all other office equipment; also includes desks, chairs, filing cabinets and such office furnishings; books, newspapers and periodicals for office or library use.

#### *12. Materials and Supplies*

Includes provision for materials and supplies required for normal operation and maintenance of Government Services (other than Office Stationery, Supplies and Furnishings). It includes gasoline and oil purchased in bulk; fuel for ships, planes, transport, heating, etc. feed for live stock; food and other supplies for ships and other establishments; live stock purchased for ultimate consumption or resale; seed for farming operations; food, clothing and other supplies for sick and indigent Indians; text books and school supplies purchased for Indian schools; books and other publications purchased for outside distribution; uniforms and kits; coining and refining supplies for the Mint; photographs, maps and charts purchased for administrative and operational purposes; laboratory and scientific supplies, including samples for testing; drafting, blue-printing and artists' supplies; supplies for surveys, investigations, etc.; chemicals, hospital, surgical and medical supplies; mail bags for transportation of the mails; char service supplies; coal, wood and electrical supplies; and all other materials and supplies other than those purchased for construction or repair projects which would normally be charged to such projects.

#### *13. Construction or Acquisition of Buildings and Works, including Acquisition of Land*

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges and other such type of fixed assets, and reconstruction of such type of assets, improvements involving additions or changes of a structural nature, and also the installed cost of fixed equipment which is essentially a part of the work or structure such as elevators, heating and ventilating equipment, etc. It includes all such projects performed under contract or agreement or undertaken by a Department directly. The purchase of land is also included. The cost of casual employees hired for specific projects is included but not the cost of continuing employees assigned to work full or part time on such projects.



#### *14. Repairs and Upkeep of Buildings and Works*

Includes materials, supplies and other charges entering directly into the cost of repair and upkeep of the type of durable physical assets indicated under Item No. 13 above. It includes repair and upkeep projects performed under contract or agreement or undertaken by a Department directly.

#### *15. Rentals of Land, Buildings and Works*

Includes provision for rentals of properties required for special purposes by the various Departments and for the accommodation of Government Offices and Services by the Department of Public Works. Also includes rentals of space for storage of motor cars and other equipment and supplies.

#### *16. Construction or Acquisition of Equipment*

Includes provision for all machinery, equipment and furnishings (other than office equipment and office furnishings), and includes motor vehicles aeroplanes, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers and other aids to navigation and all other types of light and heavy equipment, and includes various types of such equipment for National Defence, such as ships, aircraft, mechanical equipment, fighting vehicles, weapons, engines, and such spare parts as are normally acquired with that equipment; workmen's tools, farm implements, furniture and furnishings required for other than normal office purposes. Also includes live stock, horses and dogs purchased for employment as such rather than for ultimate consumption or resale (see Item No. 12 above).

#### *17. Repairs and Upkeep of Equipment*

Includes all materials, repair and replacement parts and other costs entering directly into the cost of repair and upkeep of the type of equipment indicated in Item No. 16 above.

#### *18. Rentals of Equipment*

Includes provision for hire and charter—with or without crew—of vessels, aircraft, motor vehicles and other equipment (but excluding hire of such vehicles primarily for travel or cartage covered in other items, or hire of vehicles or other equipment for works projects where the rental would normally be included in the costs of the projects).

#### *19. Municipal or Public Utility Services*

Includes provision for all payments for services of a type normally provided by a Municipality, School Board, or Public Utility Service such as the supply of water, electricity, gas, etc., and includes water rates, light, power and gas services, school fees, and payment for such services whether obtained from the Municipality or elsewhere; taxes and water rates on diplomatic properties. Also includes payments to Municipalities in lieu of Taxes and local improvement charges.

#### *20. Contributions, Grants, Subsidies, etc., Not Included Elsewhere*

Includes contributions to international and other organizations; contributions toward the cost of joint undertakings and programs not directly the responsibility of the Federal Government; contributions or grants to governments outside Canada, whether in money or in kind; grants to national



organizations such as the Boy Scouts Association and agricultural, health, welfare and similar organizations; subsidies to primary and other industries; contributions under agreements with the Provinces for vocational training and other purposes, unless otherwise provided for in special categories; payments under the Maritime Freight Rates Act; grants to various exhibitions, etc.; research grants and other assistance toward research carried on by non-governmental organizations; scholarships and similar payments. Does not include Grants to Municipalities in lieu of Taxes (Item No. 19), Subsidies and Special Payments to the Provinces (Item No. 24), Government's contribution to the Unemployment Insurance Fund (Item No. 29), General Health Grants paid to Provinces (Item No. 30), contributions to the Provinces for the Trans-Canada Highway (Item No. 31), nor the Deficits on Government Owned Enterprises (Item No. 33).

#### *21. Pensions, Superannuation and Other Benefits in Consideration of Personal Services*

Includes pensions, superannuation and other benefits to former civilian Government employees and ex-members of the Royal Canadian Mounted Police, or their dependents. It also includes payment of compensation under the Government Employees Compensation Act, the Government's contribution to the Superannuation Account and the Members of Parliament Retiring Allowances Account, Sick Mariners Dues, Judges' Pensions, Gratuities in lieu of Retiring Leave, Gratuities to Families of Deceased Employees, the Government's contribution to the Public Service and Regular Forces Death Benefit Accounts, payments under the Defence Services Pension Act and the Government's contribution, as an employer, to the Unemployment Insurance Fund. It does not, however, include the Government's contribution to the Unemployment Insurance Fund which represents one-fifth of the net amount contributed by employers and employees combined (Item No. 29), Disability Pensions in respect of World Wars I and II (Item No. 27), nor Other Payments to Veterans and Dependents (Item No. 28).

#### *22. All Other Expenditures (Other than Special Categories)*

Includes minor residual items shown as "Sundries" in practically all votes. These include such costs as towel service, laundering and dry cleaning, loss of personal effects, bonding of Government employees, and other small miscellaneous articles and services. It includes licences, permits, dockage, towage, wharfage and mooring privileges; works of art for exhibits, and historical material for galleries, museums and archives. It includes travel costs incurred for other than Government employees, e.g., immigrants, veteran patients and migrant labour. Also included is provision for many items and services detailed throughout the Estimates which do not lend themselves to distribution under the specific headings detailed in this Summary.

### **SPECIAL CATEGORIES (Items 23 to 33)**

#### *23. Interest on Public Debt and Other Debt Charges*

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and the costs of servicing the Public Debt.

#### *24. Subsidies and Special Payments to the Provinces*

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Tax-Rental Agreements. It also includes certain payments to Newfoundland under the Terms of Union. In general, it does not include payments made to Provinces for expenditures for specific purposes, some of which are included in Items Nos. 20, 26, 30 and 31.

#### *25. Family Allowances Payments*

Payments of monthly allowances authorized by the Family Allowances Act—Chap. 109, Revised Statutes.

#### *26. Old Age Pensions, including Allowances to the Blind and the Disabled*

Includes pensions authorized by the Old Age Security Act, payment of the federal Government's 50% share of old age assistance authorized by the Old Age Assistance Act, payment of the Federal Government's 75% share of allowances paid to blind persons under the Blind Persons Act, and payment of the Federal Government's 50% share of allowances paid to disabled persons under the Disabled Persons Act.

#### *27. Veterans' Disability Pensions and Other Payments under the Pension Act*

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. Most of these payments arise from service during World Wars I and II.

#### *28. Other Payments to Veterans and Dependents*

Includes provision for War Veterans Allowances, including the Assistance Fund, Veterans Treatment and Other Allowances, Unemployment Assistance for Veterans, Rehabilitation Benefits, War Service Gratuities, Re-establishment Credits and other Sundry Items.

#### *29. Government's Contribution to the Unemployment Insurance Fund*

Provides for the Government's contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

#### *30. General Health Grants*

Provides for General Health Grants to the Provinces, the Northwest Territories and the Yukon Territory under terms and conditions approved by the Governor in Council to assist in hospital construction, extending and improving health services, prevention of tuberculosis, prevention of mental illness, control of venereal diseases, prevention and treatment of crippling conditions in children, training of health and hospital personnel, programs for the detection and treatment of cancer, public health research, provision of laboratory and radiological diagnostic facilities and services, medical rehabilitation and the improvement of maternity, infant and child care.

### 31. *Trans-Canada Highway Contributions*

Covers payments to those Provinces which have entered into agreements with the Federal Government under the Trans-Canada Highway Act, Chap. 269, Revised Statutes, in respect of the construction of the Trans-Canada Highway.

### 32. *Movement of Mail by Land, Air and Water (Post Office)*

Includes provision under the Post Office Department for Mail Service by Air, Water and Ordinary Land Conveyance, including Rural Mail Delivery.

### 33. *Deficits—Government Owned Enterprises*

Includes provision for the deficits incurred in the operation of Government Owned Enterprises such as the Hudson Bay Railway, the Canadian National (West Indies) Steamships, Limited, the Prince Edward Island Car Ferry and Terminals, the North Sydney, N.S.—Port aux Basques, Nfld., Ferry and Terminals, and Churchill Harbour.

### 34. *Less—Estimated Savings and Recoverable Items*

In certain special instances it is necessary for commitment and control purposes to detail total requirements of services but, in order that the actual amount of cash requirement only may be voted, deductions are made of estimated savings or recoverable amounts. Since the Standard Objects are made up of gross requirements, the total of those Objects must be reduced by these deductions in order to arrive at the total amount provided in the Estimates.

## EXHIBIT No. 9

### COMPARISON OF CONSUMER PRICES AND AVERAGE WEEKLY WAGES ANNUAL AVERAGES FOR CANADA, 1952-1955

(Prepared by Labour & Prices Division, Dominion Bureau of Statistics)

	Average Weekly Wages in Manufacturing	The Consumer Price Index (1949=100)
1952 .....	53.62	116.5
1953 .....	56.09	115.5
1954 .....	57.16	116.2
1955 .....	59.25	116.4

*Note*—Wage averages shown above have been calculated from payroll data for hourly rated employees of manufacturing establishments. These figures represent gross earnings before any deductions, e.g., for taxes or security benefit plans. Both the wage averages and the Consumer Price Index are published in the Dominion Bureau of Statistics' monthly reports "Man-Hours and Hourly Earnings" and "Prices and Price Indexes."

## EXHIBIT No. 10

SELECTED ITEMS OF CONSUMER EXPENDITURE  
(Millions of dollars)

	1953 (Revised)	1954
Alcoholic Beverages .....	869	867
Tobacco in various forms .....	453	461
Race Track Betting .....	84	86
Soft Drink Beverages—all kinds .....	198	195
Commercial Recreation .....	199	194
Total of above items .....	1803	1803

Prepared by Research & Development Division, Dominion Bureau of Statistics. May 23, 1956.













Government  
Publications



# SUMMARY OF STANDARD OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

This is a broad classification by classes of expenditure which are grouped into what have been adopted as Standard Objects of Expenditure and Special Categories. The Standard Objects include types of expenditure which are in many instances shown in the details of the Estimates under more informative titles.

The Special Categories would lend themselves to classification under the Standard Objects but are of sufficient interest and importance to warrant special mention.

The Standard Objects are numbered 1-21 and the Special Categories numbered 22-33. The Objects and Special Categories shown in the Estimates are identified by the number of the Standard Object or Special Category of which they form a part.

Department	Year	Buildings and Works, including Land														Equipment		Municipal Public Utility Services	Contributions, Grants, Borrowings, etc., Not Included Elsewhere	Pensions, Super- annuation and other Benefits	All other Expenditure (Other than Special Categories)	Total Standard Objects	Special Categories (See Footnote)	Total Standard Objects and Special Categories	Less— Estimated Savings and Recoverable Items	Net Total Expenditure	Department																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
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